

JUL 258

THE
ROUND TABLE
A Quarterly Review of
BRITISH
COMMONWEALTH
AFFAIRS

Contents of Number 171

A GENTLER BREEZE
ASIA AFTER STALIN
MR BUTLER'S BUDGET
THE FUTURE OF THE SUEZ CANAL ZONE
A NEW STATE IN AFRICA
THE PATIENCE OF THE PRESIDENT
PEOPLING AUSTRALIA

And Articles from Correspondents in

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JUNE 1953

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A QUARTERLY REVIEW OF
BRITISH COMMONWEALTH AFFAIRS

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A GENTLER BREEZE

THE NEW TONE OF SOVIET DIPLOMACY

NOT since President Hindenburg summoned Adolf Hitler to form a government twenty years ago has such a combination of uncalculated forces worked upon international affairs as is left by the death of Joseph Stalin and the fall of the American Democrats from their long tenure of power. The change in the supreme control of Soviet policy has been followed by a series of apparent relinquishments of hostile attitude in many regions of international friction, of which the most immediately striking has been the resumption of active negotiations for a cessation of hostilities in Korea. Although it is not Russia but China that is directly concerned in the conversations, few have doubted that the new turn they have taken is strongly influenced by the new tone of policy in Moscow; and, hard as are the bargains that still remain to be driven, it may be said that for the first time the Communist delegates at Panmunjom have convinced the United Nations representatives that they have a positive desire to bring the fighting to an end.

The value of these new evidences of pacific intent may remain an enigma for a considerable time to come. Meanwhile, as our American correspondent observes at greater length elsewhere in this issue, the first hundred days of Republican administration in Washington have been more concerned with laying the foundations for a firm foreign policy than with revealing the directions in which it will differ from that of the late Government. In President Eisenhower's important address to the American Society of Newspaper Editors on April 16, however, there is a bold and vigorous response to the Russian overtures, although subsequent criticism in the United States has raised some doubt whether, in face of the complex Congressional and other forces that check and balance the authority of a President in foreign relations, the definite line he took can be maintained in full as the policy of the Administration. The President, after laying down as a condition precedent to any attempt at conciliation that the efforts of the West to render itself impregnably strong must not be relaxed, went so far as to offer to enter into solemn agreements with the Communist world under five specific heads, four of them relating to the limitation of armaments by agreement, and the fifth to the establishment of safeguards for the observance of the agreements, including inspection and control by the United Nations. The words could be interpreted as an invitation to a potential adversary who is believed genuinely anxious to achieve friendlier relations, or as a challenge to one suspected of guile to reveal the hollowness of his offers. There are powerful sections of American opinion which will insist upon imposing the more guarded sense upon them, but the President, it is natural to suppose, spoke with no *arrière-pensée*.

Sir Winston Churchill's speech in the Foreign Affairs debate in the House of Commons on May 11 was framed strategically on the same lines as the

President's, but contrasted with it in tactical conception. He, too, solemnly warned the House that "this would be the most fatal moment for the free nations to relax their comradeship and preparations". He was, if anything, even more positive than the President in his care not to rebuff, but warmly to welcome, anything that could be interpreted as a gesture of reconciliation from the Communist camp. But instead of attempting to define at this early stage the details of a possible *concordat*, he preferred to suggest a meeting in private conference between the heads of the rival Powers, with no prepared agenda but a general commission to seek means of repairing the rift. He aimed at present at no more than contributing "a few thoughts which may make for peace and help a gentler breeze to blow upon this weary earth".

The divergence of method implied in these two speeches is very obvious. The Prime Minister ostentatiously extended to the interpretation of Soviet gestures the "tolerance and indulgence" which he asked for his own remarks. Without prejudice to his overriding insistence on the necessity for defensive strength and vigilance, he seemed less concerned to test the sincerity of the Russians than to prove his power to see their point of view.

Russia has a right to feel assured that as far as human arrangements can run the terrible events of the Hitler invasion will never be repeated, and that Poland will remain a friendly Power and a buffer, though not, I trust, a puppet State.

This recognition of the reality of Russian fears was linked with the suggestion, as an ultimate aim of policy, of establishing some compact under which Russia and Germany might be mutually guaranteed against one another's aggression by the strength of the Atlantic Powers, as Germany and France were mutually guaranteed by the Locarno Treaty of 1925.

By contrast the President, besides thinking in concrete terms of an early and specific agreement on the limitation of armaments, laid much emphasis on the need for equally specific guarantees of Russian good faith. He was speaking three weeks before Sir Winston's proposal of a meeting between the rulers of the great Powers, but it was clear that he demanded definite concessions expressive of the reality of pacific Soviet policy before he would himself enter upon this or any other step towards a general settlement.

We care only for sincerity of peaceful purpose—attested by deeds. . . . Even a few such clear and specific acts such as the Soviet Union's signature upon an Austrian treaty, or its release of thousands of prisoners still held from world war two, would be impressive signs of sincere intent.

These apparent differences of attitude were promptly exploited by those who claimed to perceive, and perhaps desired, a major rift between American and British policy. There was a particularly virulent outburst of spleen against Mr. Attlee, who had quite reasonably reminded his own countrymen, in a tone entirely friendly to the United States, of the constitutional limitations on the powers of the President to incur binding commitments in foreign policy. The real leaders of American opinion held aloof from this mischievous agitation, and happily there was a speedy reaction against it. Such experienced and level-headed publicists as Mr. Edwin Murrow have pointed out that, whatever the superficial differences between the two countries in diplomatic

tactics, their strategic objectives are necessarily the same, for the simple reason that their interests in world peace and the relations between West and East are and are likely to remain identical.

It is nevertheless true that if the most is to be made of the apparently favourable turn in the world situation, Anglo-American action needs to be concerted in method as well as in purpose. Sir Winston Churchill's proposal of a conference at the highest level without formal agenda, received as it apparently has been in a co-operative spirit in the Kremlin, deserves support, but only if Mr. Eisenhower is persuaded to accept this amendment of his more concrete list of articles of negotiation, or some compromise between them. On the other hand, the President's reservations, his insistence that the West cannot move without assurance of Russian sincerity founded on deeds as well as words, proceed from hard experience and must be treated with respect.

Feeling the Way

IT is not, however, a political possibility that a proud nation—and no pride is more sensitive than that of a State that has emerged from a revolution within living memory, as the early history of the United States itself shows—should consciously offer evidence designed to demonstrate its own good faith. The only means of testing the reality of Russian protestations is by a method of tentative approach, feeling the way wherever contact can be established, and observing the Russian reactions to what is said and done by Western Powers.

The principal evidence that Russian policy has been fundamentally changed at the death of Stalin lies admittedly in the domain of words. War propaganda has given place to peace propaganda. A response from the West is imperative, and indeed Mr. Eisenhower and Sir Winston Churchill have begun to give it. So long as war propaganda continued the Western Powers could refuse to compete, merely remaining silent and building up their defences. But to decline combat in a rivalry of peace propaganda is to relinquish the competitive advantage to the other side, and to bring into question our own sincerity in the pacific intentions we have always professed. So far as the developing situation is a matter of words, therefore, we are bound to match the fair words of the Russians with words as fair and as frequently repeated.

These words are weapons, with whatever purpose we suppose them to be wielded. It is possible to suspect that the object of the Russian propaganda is purely deceptive, designed to tempt us to lower our guard. It can be argued, with the author of the article "Asia after Stalin" in this issue, that the intention is to disengage in Europe, where the Soviet has made no advance and suffered some recessions since the Czechoslovak *coup* in 1948, in order to strike more powerfully for the mastery of Asia. Or it is imaginable that Mr. Malenkov and his colleagues genuinely aim at a final settlement and a peaceful division of the world between the Communist and "bourgeois" systems.

Whatever its intention, this propaganda has gone an extremely long way. It is an established axiom that it is bad policy to repeat an opponent's propaganda even for the purpose of refuting it. The contribution this quarter from

our correspondent in the United States contains curious evidence that no less a statesman than Mr. Secretary Foster Dulles subscribes to this doctrine.* Yet Mr. Eisenhower's speech was immediately translated and printed *in extenso* in *Pravda*; and Sir Winston Churchill's was published in a full and not unfair summary. Whether this striking display of frankness is aimed at the external world or not, the peace propaganda of which it is a part cannot fail to have some effect upon readers at home. A new impression is being conveyed to the Russian and Chinese peoples that their rulers really mean peace; and it behoves the Western Powers to take advantage of it.

This is certainly one of the times in which magnanimity in politics is conspicuously the truest wisdom. We have to forget the many occasions in the last eight years when what we know to have been our own pacific intents have been met with cold suspicion and rebuff by Stalin's régime; or if we remember them we must give the Russians the full benefit of the doubt, and presume that our defensive equipment and alliances have been honestly mistaken for the preparation for aggressive war. Provided we keep our own ranks closed, and relax no whit of our efforts to build up our strength, we shall do well to move a little ahead of what appears immediately practicable, in the hope of creating and spreading the atmosphere of peace. The President's references to China, for instance, can scarcely imply less than that he intends to do something to remove a festering cause of ill will by coming to terms about the recognition of the Communist Government at Peking. It is to be hoped that they will be followed up. At the same time we need to consider where and how far the Soviet Government, supposing that their desire for better relations with the West is sincere, can afford to make conciliatory gestures. On any interpretation of their motives, it would seem that the hopes of disengagement are brightest in Europe; and the crux of the situation in Europe remains the future of Germany. Each side ideally would wish to have a united Germany, adhering to its own political orthodoxy. The question may be asked what risks either side would take, and what price either side would pay, in the hope of achieving that ideal. The least terms the West could accept for the uniting of Germany would be that the eastern half of the country should be allowed to come into union as a free agent and not under one-party dictation. It need not be ruled out as inconceivable that the Soviet might accept such terms for unity, staking their present absolute control of half the country on their belief that a reunited Germany would ultimately turn East for its doctrinal allegiance. If that should become a possibility, the West could not refuse the challenge to a peaceful contest for the German political soul. Here if anywhere, it may be thought, is the region where there is some real hope of rolling back the iron curtain by consent.

Need for a Test Case

YET it may be that to look forward to the solution of so obstinate a problem as that of Germany is too bold and speculative in the surprise situation in which Great Britain and the United States find themselves. The immediate need is still to seek evidence of Russian good faith without asking

* See p. 235.

for it so bluntly as to run foul of the sentiment of national prestige. The first step might perhaps be taken by isolating some one of the many situations of deadlock which have subsisted for so long between East and West, to make fresh advances towards a settlement, and to treat the issue as a test case. The most obvious and topical example of such a situation, that of the Korean negotiations for an armistice, is scarcely suitable to be treated in this way; for there the Russians do not figure as a principal, and can assume or evade responsibility for the diplomacy of the Chinese Communists just as may suit their tactics of the moment. If there is a test case, it must clearly be formulated in Europe; and here the question of an Austrian treaty seems to contain all the essential elements. It is limited, long postponed, and, given the desire for agreement on both sides, not intractable. A fresh approach here might enable the West to estimate the degree of co-operation towards peace that the East is prepared to offer, and at the same time reassure the East if, as well may be, there is real fear of the offensive use of the new Western armaments. Supposing that Sir Winston Churchill's invitation to a conference is accepted, there might emerge from the meeting with the authority of the heads of governments a direction to take up anew the quest of a solution for some such specific problem as this.

If by such cautious experiment we are able to satisfy ourselves—against all the expectations of a few months ago—that the best interpretation may safely be put upon the Russian change of tone, the relaxation of international tension will bring its own dangers and embarrassments. The moment when external pressure is eased is the critical moment for the cohesion of any alliance; and it could be particularly critical for the association of the United States with Europe at a time when the only visible unity in America appears to be between the executive and the Congressional opposition. The economy of Great Britain and Western Europe has been too long geared to the armaments race to be readily converted to more fruitful production without much disorganization in the markets; and it may need skilled pleading to convince Americans that their aid to Europe may still be required, and still be ultimately profitable to themselves, even though it is not visibly providing the munitions of a cold war. For whatever happens, and whether the temperature of international relations is raised or lowered, the strength of the West, which depends entirely on its unity, is a thing that is good and necessary in itself. If it is true that a better prospect of lasting peace is at last beginning to open before the eyes of Europe, we owe it very largely to the demonstrations of strength that have already been given. This may be the first conspicuous success that has been achieved by the North Atlantic Treaty Organization. If we would extend it, we must keep in being the organs and apparatus that have brought us so far, and indeed endeavour to improve upon them.

Postscript. After the foregoing pages were written the continually developing situation was further modified by two important new pronouncements. The first, for British readers, was contained in a statement by Sir Winston Churchill that a meeting, preliminary to any negotiations which might follow with the

Soviet, would shortly take place in Bermuda between himself, the American President and the head of whatever administration might take office in France in succession to that of M. René Mayer, which had just fallen. Such a meeting is of course to be warmly welcomed, as the most direct and promising means to achieve that harmony in the tactical approach to Russia which has been argued above to be necessary if advantage is to be taken of the currents apparently setting towards friendlier international relations.

The second pronouncement, however, a leading article in *Pravda* for May 24 criticizing Sir Winston's speech of May 19, must be read as a warning against facile optimism. *Pravda*, evidently speaking as usual the mind of the Soviet Government, views the Bermuda meeting with suspicion, assuming it to be intended to concert conditions to be imposed upon the Soviet before negotiations between East and West are begun. The suspicions will seem unreasonable in England, and probably still more unreasonable in the United States. They are a fact of Russian psychology, however, and allowance must be made for them. It would seem clear that the American desire for definite guarantees in advance from the other side cannot be gratified without the risk of frustrating the negotiations before they begin, and that Sir Winston Churchill's notion of an unconditional meeting at the highest level offers the most if not the only hopeful prospect of reopening the blocked channels of communication. Even at the best, the article in *Pravda* gives the impression that there is stubborn opposition to be expected along any line of discussion of specific issues that the Western Powers may wish to pursue. The Prime Minister's suggestion of an Eastern Locarno is turned aside with a chilly reference to the Treaty of 1925 as the occasion of releasing German strength for pressure against Russia. The complaints that Sir Winston ignored the Potsdam and Yalta agreements, with the implication that Russia still adheres to the conception of the disarmament of Germany under four-Power control, show that the Soviet is not yet ready to contemplate, what has been suggested above, the idea of a free and united Germany for whose doctrinal allegiance Communism might compete in peaceful argument. By insistence on the priority of the German question with all its complexities, the article to some extent discourages the hope of restoring confidence by piecemeal progress in settling lesser subjects of dispute, in Austria and elsewhere.

All along the line it is unmistakable that the Russians intend, in any negotiations in which they take part, to demand the utmost concessions there is any chance of extorting from the Western side, and to ask the highest price for any they themselves may be persuaded to make. There are a number of hints that they hope to strengthen their bargaining position by dividing the Western Powers—a device against which the Bermuda Conference will be on its guard. But there also runs through the whole a broad wish "to emphasize above all not the points on which we disagree with the British Prime Minister" but "to underline the aspects [of his speech] which can contribute to the settlement of disputed international problems and to the cause of peace and security". The Russian demand is for peace on their own terms. But at least it seems that it is peace, at any rate peace in Europe, and not cold war that they want.

ASIA AFTER STALIN

PROSPECTS OF THE RUSSO-CHINESE ALLIANCE

THE alliance concluded at the beginning of 1950 between the Soviet Union and Communist China has already played a considerable part in world affairs. It has afforded effective protection to China in the waging of the war in Korea, for the risk of creating a *casus foederis* for the alliance has deterred the Allies from the strategic bombing of Chinese industry and communications in Southern Manchuria, which would have been a logical counteraction against the Chinese intervention in Korea but for the fear of a clash with Soviet forces. The protective value of the alliance to China (quite apart from the provision of armaments and technical training) has indeed been obvious ever since the autumn of 1950, and no less manifest has been its value to Russia in diverting and pinning down large American, British and French forces in Asia without the commitment of a single Russian soldier.

Now that Soviet foreign policy appears to have entered on a new phase following the death of Stalin, it is natural to enquire how this situation would be affected by a limited *détente* in international relations, particularly with regard to European affairs. Would a so-called 'settlement' with the Soviet Union involve also a settlement with China, or would China be left free to continue trouble-making in Asia with the indirect support, but without the open participation, of Moscow? The Soviet Government can disclaim all responsibility for the actions of the Chinese People's Republic and even more for those of the Vietminh. Agreement over Germany and Austria, even assuming that such is now obtainable, would not necessarily mean agreement over Korea or Japan or Indo-China. Nor would even an armistice in Korea (which in itself would be only the first step towards peace in Korea) imply any diminution of the pressure on South-east Asia; it might on the contrary involve an increase of it. The signs of relaxation in Korea have indeed been simultaneous with an entirely new Communist forward move in South-east Asia—the Vietminh invasion of Laos, which is bringing Communist power for the first time to the frontier of Siam.

The fluttering of doves released from the Kremlin since the demise of the "Leader of Progressive Mankind" must be viewed in relation to the striking contrast which has now existed for some time between the unpromising situation for the Communist cause in Europe and the vistas of opportunity opening out before it in Asia. In Europe the statement of account for the last eight years shows an unfavourable long-term trend which, even if it did not seriously disturb the deified Stalin, may well have caused anxiety to his less godlike successor. The net gains of Russia in Europe remain vast, but all the countries and zones now forming part of the Soviet *bloc* were already in the bag before the end of 1945; even Czechoslovakia is not really an exception, for the *coup d'état* of 1948 merely consolidated a domination which

had previously existed but was in danger of being undermined. Since the high-water mark of Communist power was reached in the period immediately after the war there has been an adverse trend with regard to both territory and the balance of military and political forces. No new territory has been gained, but Yugoslavia has been lost and the guerrilla base in northern Greece wiped out. Elsewhere, outside the Iron Curtain, the Communist parties have been unable either to seize power or to exert a decisive influence on policy as pressure groups. On the other hand, the strength in the scales against Russia has greatly increased; the North Atlantic Treaty Organization has become a reality, so that the Kremlin is faced with a very formidable coalition which, even though its immediate military effectives may still be far from adequate, would dispose of immense resources in the event of war. Finally, since the failure of the Berlin blockade thwarted Russia's nearly successful attempt to capture Germany, there is the threat of a new German army ranged on the side of the West.

If, however, Malenkov, surveying the state of the world after his succession to supreme power in the Soviet Union, shifted his gaze eastwards from Europe to the Far East, he must have observed a situation as full of promise for Soviet aims as that in Europe was disappointing and dangerous. In 1949 the Chinese Communists had finally come to power through civil war and had transformed China from a nation linked by special ties with the United States into a political and military ally of Russia. The great cataclysm of Communist victory in the most populous country of the world had inevitably had its effect on neighbouring countries, especially as conditions in most of these countries were already highly unstable. Since 1950 a war had been going on in Korea, involving China on the one hand and major American and European forces on the other, but with no Russian liability except for a supply of arms from Russia's well-stocked arsenals. Away to the south, a second war in Indo-China was pinning down a substantial French army which might otherwise have been withdrawn to reinforce the defence of Europe and was threatening to open a path for Communism to Bangkok, Singapore and Rangoon—all this at no cost to Russia except for certain supplies passed on by China to the Viet-minh. Finally, in Malaya a Communist "insurrection in being" engaged a considerable fraction of Britain's all-too-scanty military forces and awaited stronger support from the north. In all these activities the direct gain to be expected from ultimate success would accrue to China rather than to Russia, but Russia had good ground for considering China's victories as her own. Russia had certainly a traditional interest of her own in Korea, which adjoined her Siberian frontier, but had never had any in South-east Asia, which could therefore be allotted to China as a sphere of influence without any sacrifice of Soviet rights or claims. China had her own policies and had to be treated with respect as a Great Power, but her extreme industrial backwardness made her depend to a high degree on Russian material support and excluded any real rivalry for a long time to come. Meanwhile the establishment of Communist-led governments under Chinese influence in South-east Asia might be expected to reinforce the economic strength of the Soviet *bloc* by acquisition of the very important productive resources of this region

(whether for use or for sale) and the corresponding denial of them to the free world.

Divergent Western Interests in the Pacific

PERHAPS, however, the greatest advantage which Russia has derived from developments in the Far East has lain in the diversion of Western strength enforced by them and the dissensions among Western nations to which they have given rise. In taking any military measures to contain Communist expansion in the Far East, Western countries, whether of North America or of Europe, are compelled to maintain forces for protracted defensive warfare at the end of immensely long lines of sea communication. The remoteness of the scene of action makes it very difficult to keep up morale in the nations involved, while the fact that such action takes the form either of continued colonial rule, as in Malaya and Indo-China, or of predominantly Western intervention against Asian armies, as in Korea, tends to mobilize a vague, but widespread, Pan-Asian sentiment on the side of the Communist Powers. All these difficulties, however, are less serious than the divergencies of policy which separate the Western Powers from each other on Far Eastern questions, particularly in relation to China. In Europe, despite certain differences of outlook, the NATO powers are bound together by an overriding common purpose; in the Pacific there is no such unity. Britain, France and the United States have been unable to agree on a common policy towards China for reasons which go much deeper than any mere differences of opinion about the present character or future prospects of the Chinese People's Republic. The geographical position of Britain and France compels them to give a higher priority to European defence and a lower degree of consideration to the Far East than America as a Pacific Power is prepared to contemplate. Thus, while increases of pressure in Europe cause America and the European democracies to draw closer together, increases of pressure in the Far East tend to drive them apart. Russia unites them, but China divides them.

Such being the essentials of the world situation which the Russo-Chinese alliance has already created, there must be a strong case from a Soviet point of view for a policy which relaxes the tension in Europe while keeping the kettle on the boil in Asia. The greatest dangers for Russia lie in the growing strength of NATO, in the prospective rearmament of Germany and in the risk that some clash in Europe may precipitate a general war in which America's full armed strength, including atomic weapons, would be used offensively against Soviet and satellite territory. Moreover, the incessant propaganda about the aggressive intentions of American imperialism has undoubtedly had undesirable effects in Iron Curtain countries; a totalitarian régime needs fear and hatred of a foreign foe to sustain its dictatorship, but if tension is kept at maximum pitch for a long period without actual war, the strain becomes unendurable and patriotic fervour breaks down into apathy and demoralization. It is highly probable that Malenkov, when he took over power from Stalin, realized that the bow had been drawn too tight both in external and in internal policy and that a relaxation was needed. In foreign

affairs it was expedient to slow down the arms race by working on the intense desire of the Western democracies for peace and above all to prevent the rearmament of Germany as part of the strategic system of NATO; internally it was the course of wisdom to give the Russian people a respite, to renew their hopes of jam to-morrow and to reassure them of their Government's indefatigable will for peace. But there is no reason why these policies should interfere with the spread of Communism in Asia. Russia cannot be held responsible for what China does; China is not merely an independent sovereign state, but a Great Power with her own policy. Nor can China be held responsible for what the Vietminh does; the latter is the authority recognized by all Communist states as the *de jure* Government of Vietnam, and aid given to it is merely legitimate assistance to a friendly nation. Neither Moscow nor Peking can be held responsible for "national liberation movements" in Asian countries; these, as Russian and Chinese diplomats will not fail to point out, are simply spontaneous uprisings of the peoples of colonial and semi-colonial countries against imperialism. Russia may be willing to negotiate on European questions where there can be no doubt of her direct concern—for as long as Russian troops are stationed in Germany and Austria, not even the Kremlin can disclaim responsibility for what goes on in those countries—but for anything which relates to China, the Western Powers would be referred to Peking, with American recognition of the Chinese Communist Government and the seating of its delegates in the United Nations as the conditions for any settlement. Even then, China will probably claim that nothing can be done about the Vietminh until the Vietminh is recognized, and if there is by that time a Siamese People's Republic, that will have to be recognized too.

China's Limited Commitments

IT is very likely that, if negotiations for a general world settlement are seriously undertaken during the next few months, China will prove more intractable than Russia. Such an intransigence in China's attitude would be based not on superior Chinese strength—for China is obviously by far the weaker partner in the alliance—but on the position of minimum risk which the alliance enables the present rulers of China to assume. The paradox of the Chinese situation is that China is dependent on Russian support and protection for her ability to behave like a Great Power and yet enjoys far greater security than her own protector. If Russia, with all her massive armed strength based on her own war industry, were to make an aggressive forward move in Europe, she would take the risk of a war in which her adversaries would hit back with all they had. But if China, who cannot produce a single aircraft from her own resources, commits an aggressive act, there will not be any unpleasant consequences. No bomb will fall on her cities, no shell will be fired at her ports, no ship will be held up on the sea. The reason is that, whatever China does, the Western Powers will not strike back at China for fear of either provoking Russia into war on account of the Russo-Chinese alliance or else of so committing Western forces in the Pacific that Russia might be set free to start trouble somewhere else.

The Western resolve not to "spread" a war in which China has been declared an aggressor by bombing or blockading Chinese territory has been amply demonstrated during the campaign in Korea, and Peking is entitled to assume on the evidence so far that it can count on a similar immunity in any adventure it undertakes beyond the frontiers of China. The practical question at the moment is whether or not the Western powers would in fact continue thus to limit their counteraction in the event of a Chinese military intervention in South-east Asia. A political leader of the Vietminh, who recently deserted to the Bao Dai camp, has declared that it has been agreed between Peking and the Vietminh "government" that, as long as the Vietminh is doing well Chinese aid will be confined to munition supplies and technical training, but that if they should meet with a really serious defeat China would send in troops, as in Korea. This policy of "heads I win, tails you lose" implies either an ultimate Vietminh victory (which would certainly involve Siam as well as Indo-China) or a new Chinese expedition similar to the intervention in Korea in the autumn of 1950, with the difference that this time it would be far less likely than it was then that adequate ground forces would be available from any quarter to stem the invasion. The Allies in Korea have been able to refrain from taking any direct action against China and nevertheless hold a line of battle across the peninsula because they have been able to muster enough troops to resist the onset of the North Korean and Chinese armies. They have never, except for a brief period at the end of 1950, been confronted with a straight choice between counter-attacking China and being driven out of Korea altogether. But such a choice may well be forced on the Western nations with regard to South-east Asia, because it is extremely unlikely that those states which have fought in Korea would again be prepared to commit troops on a sufficient scale for another war of the same kind under the same paralysing limitations. The French have already done all they can do in Indo-China, and the British forces in Malaya have so far been no more than adequate to contain a guerrilla insurrection which has not yet received any close-up support from outside. A collapse in Indo-China would probably mean Communist ascendancy throughout South-east Asia, with the Chinese minorities rallying to their triumphant motherland and opportunist local politicians hastening to climb on the revolutionary band-wagon.

In time it should be possible to create conditions of strength and stability in this region, but there is bound to be in any case a transitional period during which it will remain a zone of extreme weakness and instability in world affairs. It is at best a region of countries no one of which can compare in size and weight with the great nation to the north of them. Even so, they might have a considerable capacity for resisting domination if they had a fair degree of internal cohesion and solidarity among themselves. But it is just these factors that are lacking. Burma, Indonesia and the three states of Indo-China have only gained their independence since the war, and they suffer from all the weaknesses to be expected of new national entities. Siam, the only country of the region to have retained its sovereignty through the whole period of Western colonial expansion, has nevertheless a traditional policy of trimming in its foreign relations and yielding to conquering force. The colonial powers

are in the middle of a process of disengagement which would be difficult even in a time of profound peace, but is a most dangerous operation to carry out under fire. The British are still in Malaya, but after their quitting of India and Burma are believed to be going soon from there too; the French are half in and half out of Indo-China; the Dutch are out of Indonesia, but remain in New Guinea which Indonesia claims. Everywhere are the Chinese minorities, often antagonistic to Communism, but hopeful of a privileged position under a Chinese paramountcy and generally convinced that in any case nothing can stop the new China.

There is very little hope that anything can be preserved or built up in South-east Asia unless Communist China can be successfully warned off from interference there. This in turn is possible only if Peking can be convinced that any military adventure to the south would involve extremely unpleasant consequences for China herself and not merely some casualties for the expeditionary force. But Peking can hardly be convinced by a bluff; a warning is likely to be taken seriously only if there is evidence of real unity among the NATO powers about Far Eastern policy and a determination not to allow China to get away with it a second time. Nor has any warning much chance of being effective if it is directed only to Peking; it would have to be made clear to the Russian statesmen also that the West is not interested in a settlement which would leave scope for a repetition of what happened in Korea. Undoubtedly "piecemeal" agreements are better than none, but there is a great danger that any negotiation with Russia which does not have a firm "global" purpose would merely lead to agreements on areas where the Communist *bloc* has no prospect of advancing and no agreements on areas where it has.

No Tito in Asia

THE factor most likely to restrain the Chinese Communists from any military intervention in South-east Asia would be the knowledge that they could not expect Russian military assistance if they suffered retaliation in their home territory as a result of such an enterprise. It should, therefore, be a major aim of Western diplomacy in any negotiations which may be carried on with Moscow to obtain from the Soviet Government a definite assurance that the terms of the Russo-Chinese alliance are not applicable to such a case and to see that the limitation is made known to the Chinese. There should be a better prospect of reaching an agreement over Chinese support for the Vietminh than over the Chinese intervention in Korea, for Russia has had, and still has, a direct interest in Korea, which actually touches Soviet territory, such as it does not have in Indo-China. The absence of Soviet direct interest in South-east Asia makes it easier for Moscow to give China a free hand for expansion there, but it also means that Russia would be much less inclined to incur a serious risk of war on account of that region than it might if the issue concerned an area adjacent to the Soviet frontiers.

If evidence of Western determination not to allow a Communist seizure of South-east Asia could deter Russia from affording China protection in an advance to the south, it would at the same time render the Russo-Chinese

alliance itself less powerful in its hold on China. The endless wishful speculation which goes on about the possibility that Mao Tse-tung may become another Tito (with the conclusion drawn that China must be appeased, so as not to drive the Chinese Communists "into the arms of Russia") invariably ignores the fact that as long as the military alliance with Russia provides unlimited cover against the consequences of aggressive and provocative Chinese policies, it is bound to be immensely popular in China. The partnership has not only enabled the new régime to equip a large army with the most modern weapons, which China cannot produce for herself; it has also enabled China to fight a war in Korea against the principal Western Powers with such protection that the latter have not dared to take any counter-action against China. Never has an alliance paid higher dividends, and China's present rulers can point to it with justifiable pride as the master-stroke of their policy. Only in so far as it becomes apparent that Russia cannot or will not give automatic and unlimited protection to China is the prestige of this hitherto so profitable friend likely to diminish in the eyes of the Chinese people.

MR. BUTLER'S BUDGET

FINANCE AND THE AMBIGUITY OF WORLD AFFAIRS

THIS year's Budget in the United Kingdom is more difficult to criticize than any which has appeared since the end of the war. In the case of the seven Budgets which preceded it, the principal objects of the Chancellor of the Exchequer's exercise were never in much doubt, and discussion could therefore be centred more or less exclusively on the extent to which the measures proposed were adequate. Every year, without fail, the principal threat to the economy lay in the high internal inflationary potential which was the legacy of war-time finance, war-time destruction and obsolescence of capital equipment, and post-war shortages of both raw materials and consumer goods. The internal pressures resulting from the attempt to return to pre-war standards of personal consumption, to make good arrears of capital expenditure, to build up stocks, to expand the scope of the Welfare State, and at the same time to devote a far higher proportion of our resources than before the war to exports and the maintenance of armed forces overseas, resulted in perpetual pressure on the country's balance of payments. In consequence, post-war Budgets which failed adequately to suppress internal inflation were naturally followed sooner or later by mounting external deficits and balance-of-payments crises.

This year, for the first time, it is no longer clear that inflation at home is public enemy no. 1, and while the balance of payments still gives cause for concern it is by no means evident that the solution to the dangers facing us in this respect are such as can be tackled by budgetary means. The balance of the world economy—and particularly that of the U.S.A. economy whose health so largely determines the prosperity of the remaining economies outside the Russian sphere—is delicately poised between inflation and deflation. A world trade recession towards the end of 1953 was already being freely discussed in the U.S.A. even before the death of Stalin, and the policy changes introduced by his successors strengthened the possibility that hostilities in Korea would end and the whole scale of the world's expenditure on armaments be reduced. The view that the objects of the Kremlin have not in fact changed is now growing stronger, and it appears more probable than was the case at the time when the Budget was introduced that the rearmament drive will continue. At that time, however, there appeared to be rather more reason for fearing a world recession than a renewal of inflationary pressure. With the outlook so uncertain, Mr. Butler's task was invidious; the framing of a Budget when the kind of situation for which one is legislating is so obscure must be a difficult task indeed. The measure of Mr. Butler's success in avoiding the temptation to gamble on the prospect that events will move decisively in one direction or the other is perhaps best evidenced by the fact that while he is assailed by Left Wing critics for gambling on the hope that there will be no recession, other critics—including

not a few economists—are criticizing him for taking chances on the expectation that there will be no renewal of inflationary pressure and no up-turn in world prices.

Politically the Budget is skilful and difficult to attack. The Opposition appears to have misjudged the general climate of opinion in criticizing Mr. Butler's proposals on the grounds that they unduly favour the rich and big business. Even though they are in fact off-set to a considerable extent by the £30 million reduction in food subsidies, the purchase-tax concessions undoubtedly offer something to every member of the community, and the reduction in the "reduced rates" of income tax means that the reliefs in direct taxation benefit the great bulk of the population. The psychological effect of a Budget which makes nobody worse off outweighs by far the consideration that some people may get more out of it than others. The trade unions, moreover, have themselves called for a reduction in the burden of taxation on industry and condemned the Excess Profits Levy as being the worst possible form which the taxation of enterprise could take. If a recent gallup poll is correct in estimating that this year's Budget is less generally popular than that of last year, that can be due only to the peculiar psychology of a nation which believes in the virtue of "taking it on the chin". The poll reveals no discontent of the kind which the Opposition attempted to foster.

The Budget and the National Income

FOR the first time in five years the Budget speech contained no attempt to set the current revenue and expenditure of the Government in the detailed framework of national income and expenditure as a whole. In other words, the Chancellor of the Exchequer made no estimate of the size of the inflationary or deflationary gap in other sectors of the economy which he was called on to close, in the first case by budgeting for a surplus or in the second by running a deficit. This return to the supposedly unscientific Budget practices of pre-war days, moreover, may be something more than a temporary reversion occasioned by total uncertainty about the direction in which the economy is moving. Even during the post-war years of high inflation, when it appeared a reasonable assumption that personal incomes after tax would be spent up to the hilt, that capital formation would press hard against whatever ceiling was fixed by physical controls, and that exports would reach whatever level was permitted by the conflicting demands on home economy, Keynesian calculations on the balance between national income and national expenditure were upset time and time again by external events. They were easily falsified both by the ease with which individuals could over-spend their incomes by living on capital, and by the extent to which traders could increase or reduce the rate of capital formation by laying in or running down stocks. The world economy, as it returns to the normal condition in which persistent inflationary pressure can no longer be assumed, will necessarily become more and more sensitive to casual events and to the economic forces which before the war resulted in substantial changes in price levels from one year to the next. The attempt to legislate for twelve months ahead on the basis of an academic exercise must become ever more precarious, and it may

well be that the post-war fashion of calculating inflationary and deflationary gaps is already dead; even future Socialist Chancellors of the Exchequer may hesitate to exhume the corpse.

The keynote of Mr. Butler's Budget was struck towards the end of his speech, when under the general heading of "Budget policy" he said: "This year my economic analysis has shown that the likely level of effective demand will still be less than our productive capacity." Industrial production in the United Kingdom was somewhat lower in 1952 than in the preceding year, primarily as a result of a recession in the textile industry and certain other industries making consumer goods. Early this year, however, it was evident that a certain amount of slack existed even in the metal-using industries where the pressure of demand had hitherto been far in excess of capacity. In part this slack was due to a falling off in the physical volume of exports, in part to the running down of stocks by certain manufacturers and wholesalers at home and in part to a slight recession in the rate of consumer spending at home after the wave of anticipatory buying caused in previous years by fear of rising prices. It is estimated that if the rate of industrial production were to return to capacity levels, a further £500 million or £600 million of goods and services would become available to the economy, and it is Mr. Butler's object to ensure that this potential increase in output shall mature. The prospect of unemployment and short-time working is not one which can be faced with equanimity by any Government.

The proposed measures for stimulating demand fall into two groups, the reductions in personal taxation and purchase taxes designed to increase consumer spending on the one hand, and the reductions in business taxation intended to stimulate investment in productive equipment on the other. Whether these tax concessions will have too little or too much of the desired effect is an entirely open question. Unfortunately, any likely reaction by consumers and business men at home to the relatively small increase* in their financial resources which the Budget offers them this year is almost negligible in relation to the inflationary or deflationary forces which may assail the economy as a result of external events.

Those who criticize the Budget as being unduly lenient argue that the present downward trend in commodity prices might be sharply reversed if it became evident that the rearmament drive was not going to slacken. In that event, traders might once more set about building up stocks, export demand revive as a result of the higher incomes of raw-material producers overseas, the country's bill for imports increase even faster than its income from exports and the improved outlook result in demands for capital equipment substantially greater than the Chancellor of the Exchequer is bargaining for. The absence of a Budget surplus designed to reduce inflationary pressure

* To consumers, £100 million (after allowing for the reduction in food subsidies) in a total of consumer spending of the order of £10,500 million; and to corporate business, relief of £40 million for addition to undistributed profits of the order of £600 million. The abolition of Excess Profits Levy and the restoration of initial allowances will not operate this year, but will be worth approximately £50 million in 1954-5 and £184 million in 1955-6.

means that the Treasury will this year have to borrow some £400 million in order to cover "below the line" expenditure, and if this borrowing takes the form of additions to the floating debt the liquidity and inflationary potential of the banking system will be greatly increased. Consumer spending would naturally increase if unemployment fell and short-time working in industry were reduced. In such circumstances the Budget would almost certainly prove to have erred on the side of laxity. Mr. Butler, however, is entitled to point out that the weapon of monetary policy is still held in reserve, and could doubtless be used to combat any tendency towards rebuilding stocks. Furthermore, a considerable part of the fall in some stocks which took place last year (including machinery components and the like) may well be permanent; the hoarding of supplies for fear that they might not be readily obtainable when wanted has largely been rendered unnecessary now, since long delivery dates are mainly confined to major items of capital equipment. The buying policy of the business world in general was radically revised when dearer money and falling world prices caused serious inquests to be held on the size of stocks for the first time since the end of the war.

On the other hand, it is equally likely—particularly if there is an easing of international tension—that events will move in precisely the opposite direction; that the present fall in world prices will go farther under pressure of precautionary de-stocking by business men (particularly in America); and that there will be further perceptible shrinkage in the export markets as a result of the reduced incomes of raw-material producers and lower activity of industries affected by de-stocking. If this should prove to be the case, Mr. Butler's Budget will not suffice to keep industrial activity in the United Kingdom at a high level, nor will it prevent severe pressure on the gold and dollar reserves of the sterling area. To say this, however, is not so much to criticize the Budget as being potentially inadequate as to underline the difficulty of dealing with a deflationary situation by budgetary means. In a situation of this kind, the main threat to the United Kingdom is directed at the balance of payments on the one hand and the gold reserves on the other. In so far as a recession in the world buying of raw materials reduces the incomes of other members of the sterling area, there is nothing that any Chancellor of the Exchequer can do to affect the position by changes in United Kingdom taxation. Moreover, while falling raw material prices in themselves improve the United Kingdom's own balance of payments by strengthening the terms of trade, this influence may be more than off-set by the difficulty of maintaining exports in the absence of demand. To maintain exports, price reductions may be necessary of a magnitude inconsistent with a high level of industrial activity. If, by stimulating consumer demand and capital investment at home, the Chancellor of the Exchequer succeeds in avoiding unemployment and maintaining home prices, he may not only remove the incentive to export but bring about a higher volume of imports in relation to the volume of exports. Consumer spending at home could undoubtedly be stimulated far beyond present levels by reductions in taxation, but only by threatening a new foreign exchange crisis within a short time. Such an increase in consumer spending would no doubt bring in its train an increased demand for

capital equipment by industries catering for the home market, but if world markets recede it is doubtful whether tax remissions will have any effect at all in stimulating capital expenditure by the exporting industries until the outlook is more encouraging.

The Budget and Incentives

IN introducing his Budget Mr. Butler spoke about the weight of the burden of taxation, both on industry and on individuals, and its effect in dragging down initiative and enterprise. He talked of "this incentive Budget", of "steps designed to encourage industry" and of "lightening our load and liberating our energies". The closing words of his peroration were: "We step out from the confines of restriction to the almost forgotten but beckoning prospects of freer endeavour and greater reward of effort." If these stirring words were justified there would be cause for rejoicing indeed. But are they justified?

It is certainly true that this is the first post-war Budget which has neither imposed new taxation nor raised the rates of some existing taxes, but it is far from being the first post-war Budget in which substantial remissions of taxation have been made. The Excess Profits Duty was abolished by Dr. Dalton, only to be reimposed in another form later at Mr. Churchill's behest. Initial allowances were introduced in the early years of peace, and subsequently increased. We have already had 6*d.* off the income tax once, and reduced marginal rates of taxation on the lower incomes, to say nothing of higher allowances of one kind or another (particularly on earned incomes). Not all of the proposed remissions of taxation will take effect immediately, and where relief is delayed it is, of course, always possible that the effects of the proposed remission may be nullified in a subsequent Budget. Whether measured as a percentage of gross national expenditure or of gross national product, the total taken annually by direct and indirect taxation (including local taxation) has been showing a slightly falling trend since 1949, but the proportion of the nation's available resources actually spent by the Government and local authorities, after deduction of the many "transfer items" such as social-service payments and food subsidies, is still substantially more than it was in 1948 and 1949. Taxation still absorbs approximately 27 per cent of gross personal incomes, as it has done in every post-war year. Are there many individuals paying income tax at the full rate who are likely to work harder or save more because the Chancellor of the Exchequer will now take 9*s.* in every 20*s.* worth of extra earnings instead of 9*s.* 6*d.*? What wealthy business man will decide that it is worth incurring the risk and worry of expanding his scale of operations now that the top marginal rate of income tax and surtax combined leave him with 5 per cent of anything he earns in excess of £15,000, instead of 2½ per cent? What factory worker will work longer overtime because, as a result of purchase-tax concessions, the price of certain goods has fallen by amounts varying from 6½ per cent to 12½ per cent? It is clearly doubtful whether positive answers can be given to any of these questions. But the Excess Profits Levy at any rate was a bad tax in every way. It removed almost the last vestiges of incentive in the business field from the

go-ahead and the efficient, leaving the management careless of efficiency and less than indifferent to the cutting of costs. Over a wide range of industry, extra expenses—the carpet for the managing director's sanctum, the expensive works limousine—could in fact be provided for almost nothing at the Government's expense. That this tax is to go must be counted not merely as an incentive but in the main as an incentive to the businesses most worthy of encouragement in the interest of the nation.

A Change of Direction?

IF Mr. Butler's words could be taken at their face value, and this year's Budget regarded as marking a genuine change of direction rather than part of an unending see-saw movement in which one year's gains are all too soon modified by the succeeding year's austerity, then one could indeed speak of the Budget as giving rise to hopes that hard work would be rewarded to a greater and greater extent with every year that passed. If the potential apprentice knew that in five or ten years' time the differential reward for becoming a skilled workman rather than a labourer would be greater than it is today, and the business man could expand his scale of operations in the knowledge that the additional net income he received would be more worth having in the future than now, the Budget could properly be judged less by present incentives than by the incentive of a more promising future. But government expenditure as a whole has proved singularly intractable, and even the ending of rearmament would bring benefits that would be little more than marginal when seen in relation to the whole scale of spending by the Government and local authorities. If capital expenditure could be increased even more than allowance is made for in this year's Budget, and the temptation to raise living standards and reduce personal taxation were held in check for a few more years, the national income might indeed expand sufficiently fast to offer hopes of a genuine reduction in the burden of taxation. There might then be a genuine return to a world of incentives which no more exists after Mr. Butler's Budget than it did before. In five years' time, if rearmament expenditure could be limited, we might at last be back again in the days of a 7s. 6d. income tax and a rate of taxation of business profits not substantially higher. But the road to such a forgotten world is uphill, and so long as the political pressure for an expanding Welfare State and the subsidizing of the mass of the people remains strong it will take a lifetime of many Governments before incentives in the old sense of the word can be restored to the economic system.

We can in some ways rejoice as individuals that the national income does, by and large, grow from year to year despite an inadequate rate of capital investment, and that, even after taxation, consumers' incomes have steadily improved by some two-thirds of whatever higher national income has been achieved. The United Kingdom is a better place to live in now than it was two or three years ago, and will no doubt be providing an even higher standard of living five years hence. But even as one swallow does not make a summer, one must doubt whether one "Butler Budget" means that pre-war days are just round the corner.

THE FUTURE OF THE SUEZ CANAL ZONE

GENERAL NEGUIB, the Prime Minister of Egypt, has called for the unconditional withdrawal of all British troops from the Suez Canal Zone. Mr. John Strachey, speaking from the Opposition Front Bench in the debate on the Army Estimates, has advocated virtually the same course. Her Majesty's Government have not, as yet, shown their hand. It is, however, believed that they would not contemplate an evacuation from the Canal Zone unless satisfactory alternative arrangements had been made to maintain the Base and to provide for the security of the Middle East and of British interests in the region.

At the time of writing, the exploratory talks between Britain and Egypt have been interrupted, and it is very hard to say whether there is still any real prospect of the two governments' coming to terms. It may be useful, however, to consider some of the issues at stake in any negotiations over the future of the Canal Zone.

There are three main aspects of Britain's interest in the Canal Zone. These concern the Canal itself, the Base and the Middle East Strategic Reserve.

The Waterway

TO keep the Suez Canal open remains a major aim of British economic and defence policies. This historic waterway is still a main artery of world trade and not least of British trade. Over 100 million tons of shipping pass through it every year; and of this total some 35 million tons are British. If, for any reason, the Canal was closed, British trade with the Mediterranean, Indian Ocean and Far Eastern regions would suffer serious loss.

The development of air and atomic power and the fact that the Indian Army is no longer a certain factor in our military calculations have to some extent reduced the strategic importance of the Canal. Nevertheless, it would be a grave error to underrate its value to our defence arrangements in peace or war. In the last war, for instance, the "Canal Route" from Britain to the East was open both in the period before Italy entered the war and again from the summer of 1943 until the surrender of Japan. This greatly eased our shipping problems, first in the build-up of our forces in the Middle East, drawn as they were from every part of the Commonwealth, and later in the prosecution of the campaigns in South-East Asia. Even in the period when the Mediterranean was virtually closed, the Canal itself remained open. This enabled supplies, sent round the Cape, to be carried by sea to Alexandria and Tobruk in support of the forces in the desert, as well as to Haifa, Beirut and even Turkey. In the subsequent period of the cold war, the Canal has continued to be of the greatest importance. Thanks to it our troopships can reach Malaya, Hongkong and Korea (and French troopships can reach Indo-China) in much less time than if they had to sail round the Cape. This saves manpower and expense.

The Suez Canal is operated and maintained by the Suez Canal Company. Her Majesty's Government holds 44 per cent of the shares. A majority of the remainder are in French hands. The Company's concession to operate the Canal, granted by the Egyptian Government, runs until 1968. Recently, however, there has been talk in Cairo that Egypt might seek to nationalize the Company or to abrogate its concession. So long as there are British troops in the Canal Zone this would hardly be practical politics. Once our troops were withdrawn, however, the situation would change. The Egyptian Government could then proceed to take over the Company by direct action as Dr. Musaddiq did in expropriating the Anglo-Iranian properties in Persia. Alternatively they might make the Company's position intolerable by "squeezing" methods of a type with which British firms in Communist China are only too familiar.

Once the Company was nationalized, it is hard to believe that any Egyptian Government could resist demands for the rapid Egyptianization of its staff. This might easily lead, as at Abadan, to the withdrawal of the chief European technicians. Now, at the present time, there are nothing like enough Egyptian technicians capable of operating and maintaining the Canal. Less than one-third of the pilots, for instance, are Egyptians. Nationalization, therefore, by encouraging premature Egyptianization, might well cause the Canal to become derelict.

The withdrawal of British forces would also increase the danger that Communists or other extremists might close the Canal by strike action or sabotage. This would not be difficult. The general strike of January 1952, for instance, would have paralysed the Canal altogether, but for the fact that bluejackets of the Royal Navy, stationed at Port Said, took over essential tasks. At the same time there was some danger that the Canal might be closed by the demolition of the Ferdan bridge across it. This was accordingly seized by General Erskine as soon as trouble broke out. It must at least be doubtful whether, at any rate in the foreseeable future, the Egyptian State will have the power even if it has the will to protect the Canal against such risks.

There is the further possibility that the Egyptian Government might decide, despite the Canal Convention, to close the Canal against the ships of certain powers. They have already closed it against cargoes destined for Israel. Can we be sure that they might not do so against our own ships, or those of our allies, if, for some reason, they happened to disapprove of our policies? It does not require much imagination to conceive of a situation in which Egypt closed the Canal against French troopships sailing to Indo-China in an attempt to extract concessions from France to the nationalist movements in North Africa.

The Base

IT will, of course, be argued that it would hardly be in Egypt's interest to allow the Canal to become derelict or to flout the provisions of the Canal Convention. Recent experiences in Persia, however, suggest that Middle East nationalism is not always inspired by what we regard as enlightened self-interest. We have, therefore, to face the fact that if we withdraw our forces altogether from the Suez Canal Zone we shall be running certain

definite risks—risks which include the expropriation of substantial British assets and the closing of the Canal by inexperienced management, sabotage or ill-will.

The Middle East and, in particular, the Suez Canal Zone, is the Clapham Junction of the British Commonwealth. It is the crossroads between the main sea and air routes which link the Atlantic sector of the Commonwealth (the United Kingdom, Canada, the West Indies and West Africa) with the Indian Ocean sector (New Zealand, Australia, Malaya, India, Ceylon, Pakistan, East Africa, Central Africa and South Africa). Apart moreover from its geographical significance as a centre of communications, the region is itself important to Britain because of its markets, because of the Egyptian and Sudanese cotton crop, and, above all, because it is the main source of sterling oil.

In time of war, the Middle East may well be temporarily cut off from the United Kingdom. The Mediterranean route may be closed to our shipping and even to our air force, as it was, for instance, in the last war. The alternative sea routes round the Cape, or air routes across equatorial Africa could doubtless be maintained. These, however, are very long and their use beyond a certain point must impose a great strain on shipping and aircraft. The defence, therefore, of our interests in the Middle East, and indeed, as the last war showed, in the whole area of the Indian Ocean cannot be effectively based upon the United Kingdom. Britain, therefore, requires a base or bases from which she could sustain operations in both these areas for as long as communications with the United Kingdom might be interrupted.

The Suez Canal Base offers a combination of natural and man-made advantages not to be found anywhere else in the world. It is so situated geographically that it can be used to sustain operations in at least five separate theatres. It can serve as a rear base for the organization of Middle East defence against attacks from the north; or, as in the last war, from along the North African shore. It can be used to reinforce our fellow members of the Commonwealth and other associates in the Indian Ocean Area as it was in the campaigns against Japan. It is equally suited, as operations in Greece and Italy showed, to support our allies in the East Mediterranean. Finally, it can also serve to help maintain order in Africa, as was shown in the recent dispatch of reinforcements from the Canal to join in the pacification of Kenya.

The Canal Zone already provides the necessary combination of ports, air-fields, road and rail communications, power, water, food and labour. It contains, moreover, British installations and stores which would cost some £500,000,000 to replace and only a part of which could be removed.

If Britain were to abandon the Canal Base, she would either have to renounce her position in the Middle East and the Indian Ocean areas or she would have to construct two new bases; one, perhaps, in Cyprus, and the other in East Africa. Such a redeployment has more than once been suggested. It would, however, involve us in the loss of much existing material, in the expenses of new construction and in the additional cost of duplicating installations and rear services. It would also fly in the face of every strategic

principle by obliging us to undertake two separate commitments neither of which could be brought to bear in support of the other.

The Reserve

A DISTINCTION should be made between the British troops needed to maintain and guard the Canal and the Base on the one hand and the Middle East Strategic Reserve on the other. The latter, though sustained from the Suez Canal Base, and prepared, if necessary, to defend it, should also be designed to serve in operations anywhere in the East Mediterranean, the Middle East or the Indian Ocean Area.

At present both these elements—the Canal Garrison proper and the Middle East Strategic Reserve—are concentrated in the Suez Canal Zone. This is partly because of the need to defend the Base and the installations against Egyptian terrorists; partly too because, with the evacuation of Palestine and the lack of suitable facilities in Cyprus or Cyrenaica, there is no very obvious alternative location for them.

Under present conditions accommodation for troops in the Canal Zone is altogether inadequate; and so long as political uncertainty over the future of the Zone continues, it is likely to remain inadequate. If, however, it were decided to station the Reserve permanently in the Canal Zone, living conditions there could of course be very greatly improved. Given a friendly Egypt, moreover, there would, of course, be no need to concentrate in the Canal Zone anything like the number of troops which are at present stationed there. Before the war, indeed, the Reserve was stationed in Palestine; and the security of the Canal Zone was maintained by a few battalions. Palestine is no longer available to us. The first problem, therefore, which we have to face in considering a reduction of our present forces in the Canal Zone is where else the Strategic Reserve could be kept. Given sufficient transport aircraft—and air superiority over the Mediterranean—part of the Reserve might be stationed in the United Kingdom itself. With permanent commitments, however, which extend from the West Indies to Hongkong, there is much to be said for stationing part of our general Strategic Reserve in a central area, such as the Middle East. Such a Reserve could then be brought to bear in the East Mediterranean, the Middle East, the Indian Ocean, or East Africa, according to need.

A Middle East Strategic Reserve would not need to be stationed in the Suez Canal Zone, though it would need to have ready access to the Base. Political considerations might suggest Cyprus or Libya as suitable stations, though from a purely strategic point of view the general area of South Jordan, the Negev and the disputed Gaza Strip would be better.

Britain's Minimum Requirements in the Zone

IF alternative stations could be found in the Middle East for the Strategic Reserve—and it is a big “if”—Britain could agree to reduce her forces in the Canal Zone to the minimum required to maintain the Base and ensure its security.

To maintain the Base is mainly a question of the service of valuable and complicated equipment belonging to Britain, and of operating certain sea and airport facilities. This would require the presence in the Canal Zone of British technicians. Since the Base is intended to serve the British Middle East Strategic Reserve, at any rate until a Middle East Defence Organization is set up, these British technicians would have to be under the command of the British Headquarters in the Middle East. They could not, as has sometimes been suggested, be seconded to the Egyptian Army.

To ensure the security of the Base presents more difficult problems. Plainly, if the Base is to be safeguarded—indeed if it is to be of any use at all—Britain must have the right to re-enter it in force or to draw material from it whenever the need arises. In speaking of the need to use the Base, we have to think not merely of a world war but of having perhaps to defend our interests in Iraq and the Persian Gulf, to help our fellow members of the Commonwealth in Pakistan, India, or South-East Asia, or to honour our obligations under the three-power agreement to prevent a resumption of the Arab-Israel war. While, therefore, it would be only right that we should consult with the Egyptian Government before returning to the Base in force, we could not afford to be dependent on their agreement before doing so. In the last analysis, we should have to be the judges of when the need to re-enter the Base had arisen.

This raises another issue. Britain must have the right to re-enter the Canal Zone. But it is not enough to have the right only. We cannot rely on the assurances which this or any foreseeable Egyptian Government may give. For one thing, the present Government is a revolutionary government and its successors may well repudiate any agreements concluded by it. For another, the fear of becoming a target for Russian atom bombs might well lead the Egyptians to refuse us the right of re-entry and even to back up their refusal with armed force. This means that besides the right of re-entry there must also be the power to re-enter. There must, in fact, be sufficient British forces inside the Canal Zone to ensure that we can reinforce the Base even against local opposition.

No agreement with Egypt, therefore, could be regarded as satisfactory unless it gave us the right to maintain essential base installations, the right to re-enter the Base in case of need, and the right to maintain sufficient forces in the Zone to ensure that our other rights could be made effective.

If Negotiations Fail

BEFORE considering whether this or other Egyptian Governments could be persuaded to agree to such terms, it may be as well to consider what the position will be if they do not. If General Neguib were to maintain his insistence on our total and unconditional evacuation of the Canal Zone, it is hard to see what Britain could do besides stand firm on the 1936 Treaty. The position here is stronger than is sometimes recognized. Britain is not committed absolutely to a withdrawal of her troops by 1956. On the contrary, it is explicitly laid down in Article 8 of the Treaty that, if the ability

of the Egyptian Army to maintain the defence of the Suez Canal is in question—and after their recent defeat by Israel, the question is fair—any dispute over the withdrawal of British troops should be referred to the now defunct League of Nations or to some other international body, presumably UN, the Hague Court or a third party. The final article of the Treaty, moreover, states that, in 1956 and at the request of either of the signatories, negotiations are to begin for the drafting of a new Treaty. This, it is laid down, should contain the principles enshrined in certain articles of the existing Treaty. One of these articles—Article 7—lays down that British troops should have the right to use Egyptian soil “in the event of war, imminent menace of war, or apprehended international emergency”. The cold war, the fighting in Korea and South East Asia, and the state of war officially existing between Israel and the Arab League powers, might well be held to constitute “apprehended international emergency”. There is a further consideration. In 1951 the Egyptian Government formally abrogated the 1936 Treaty. It could be maintained that this unilateral action has deprived the Egyptians of any claims to insistence on British evacuation which they might have enjoyed under the 1936 Treaty. It is, indeed, arguable, in international law, that by abrogating the Treaty the Egyptians had returned to the *status quo ante*, i.e. the situation previous to 1936, and the rights in respect of stationing troops in Egypt which we then enjoyed.

Britain need be in no hurry to conclude a new agreement. Much may happen in the two and a half years before the 1936 Treaty expires. Much may happen, in particular, in Egypt. General Neguib's régime may consolidate its position at home. If so, it may well become more moderate than it is today. The need to dance in under-pants, or to brandish swords at public meetings is after all an indication of the present political weakness of the régime. It is possible, on the other hand, perhaps even probable, considering the gravity of the social and economic problems confronting Egypt, that the Neguib régime will be overthrown. We may then be faced with an altogether different situation and one in which any agreement reached now might be of little value.

Much may happen, moreover, between now and the end of 1956, to influence world opinion in support of our claims. France already has every interest in seeing us maintain our present position in the Suez Canal Zone from the point of view both of her communications with Indo-China and of her influence in the Arab world of North Africa. So have Israel and Turkey. The other Arab States, for their part, have made plain their reluctance to support the present Egyptian attitude in so far as this stands in the way of the conclusion of a Middle East Defence Pact.

But perhaps the greatest change might take place in the attitude of the United States. Already British and American policies towards Egypt are probably not so far apart as Mr. Caffery's diplomacy might suggest. By 1956, indeed, we may expect that Washington will be just as conscious as we are ourselves of the need to create a position of strength in the Middle East both for its own sake and as a link between the European and East Asian military theatres.

Failure to reach agreement with Egypt might, of course, be followed by a renewed outbreak of terrorism in the Canal Zone. Judging by the experiences of January 1952, it is unlikely that such an outbreak could be long sustained or very effective. In the last war, the Germans had to confront resistance movements organized by some of the most warlike peoples of Europe. None of these movements, however, proved capable of sustained action in urban areas or in flat country. Nor did they succeed, except very spasmodically, in seriously impeding the operation of airfields, or harbours. It seems unlikely, therefore, that the Egyptians could achieve in the Suez Canal Zone what the Greeks failed to achieve in the Piraeus or the French in Bordeaux.

It will, of course, be objected that to maintain troops in the Canal Zone in the face of renewed Egyptian terrorism would be to involve Britain in heavy expenditure. There can be no question, indeed, that the present concentration of troops in the Canal Zone involves an uneconomic use of our resources of manpower and of money. At the same time, it has to be remembered that an evacuation, even if accompanied by the withdrawal of 50 per cent of the Base installations and stores, would involve us in a capital loss many times as great as the annual cost of maintaining our present forces in the Canal Zone. Nor should it be imagined that the redeployment of these forces elsewhere would effect large economies. They might be used to greater advantage elsewhere. They could hardly be maintained at much less cost.

A further objection is that Egypt would appeal to the General Assembly of the United Nations on the ground that the continued presence of British troops in the Canal Zone, after the expiry of the 1936 Treaty, constituted aggression. It is by no means certain that, by that time, the decision of the Assembly would go against us. Nor should we exaggerate its importance even if it did. No amount of criticism at UN, or indeed from Washington, has deterred the French from defending their interests in North Africa and Indo-China in their own way.

Britain and a Middle East Defence Organization

BRITAIN has no need to fear a perpetuation of the present situation in the Canal Zone. It would, however, be greatly to our advantage to conclude an agreement with Egypt and other interested powers which would enable us to reduce our commitments in the Canal Zone to a minimum. To defend the Middle East against the danger of aggression is not, after all, an exclusively British interest. It is an interest of all the free nations and more particularly of Egypt and other Middle Eastern States. Britain has, therefore, taken the lead in proposing the formation of a Middle East Defence Organization of which the United States, France, Turkey and Egypt were to have been founder members. It had been hoped that with full equality of status Egypt might have come to recognize that the presence of foreign troops in the Canal Zone was no more derogatory to her sovereignty than is the presence of United States forces in Britain to ours.

Britain has every interest in sharing the defence of the Middle East with other nations. It would, however, be a mistake to believe that we can, or indeed should, cease to play the leading part in the region. Our Indian

Empire has been transformed into a new sector of the Commonwealth, but our interest in the future of the Indian sub-continent remains. Malaya, moreover, has assumed a much greater economic importance than it previously held before the war. Meanwhile a new economic empire is coming into being in the Persian Gulf. British interests, therefore, would require that, even under a Middle East Defence Organization, the supreme command in the Middle East and the key positions in the Canal Zone should remain in British hands. The other free nations, after all, are primarily concerned in defending the Middle Eastern region against Soviet aggression. Britain, however, has an additional interest which existed before the Soviet danger arose and which will continue after that danger has passed. This is to maintain our position in a region which is the hinge joining the two main sectors of the Commonwealth and the fulcrum of British power and influence in the whole area of the Indian Ocean.

Besides the strategic and economic aspects of the problem, there is also the question of prestige. A British withdrawal from the Canal Zone would inevitably have far-reaching repercussions on Britain's position in the eyes of other nations. The first effects would no doubt be felt in the Middle East itself. The Arab peoples have already witnessed the expulsion of France from Syria and the Lebanon, our own evacuation of Palestine, and the expropriation of our properties at Abadan. If we were now to withdraw from the Canal Zone, it is very hard to believe that we could long resist Iraqi and Jordanian nationalist demands for the liquidation of our special rights in those countries. The effects, however, of such a policy of appeasement would not be limited to the Middle East. Could we refuse to General Papagos in Cyprus, or to General Franco in Gibraltar, what we had yielded in the Canal Zone to General Neguib? How much of our influence in the new Sudan would remain once we were out of Egypt? No less serious would be the effects in the Indian Ocean area. The Asian dominions are linked to us by ties of interest rather than sentiment. Whatever their superficial sympathies with Middle East nationalism, they would see little advantage in remaining members of the Commonwealth if it once became clear that we were no longer in a position to come to their support in an emergency. Nor would the consequences be so very different in Australia and New Zealand. Both countries have agreed to contribute to Middle East defence so as to keep open their communications with "home" as they still call us. But, if we once withdrew from the Canal, their shortest road to safety would then lie not through Suez, but through the Panama Canal. South Africa has also agreed to join the defence of the Middle East in order to keep Communism and anarchy out of the African continent. Both political parties in the Union and the East and Central African Colonies would regard our withdrawal from the Canal Zone as a betrayal, opening the gates of Africa to the enemy. It is, indeed, hardly too much to say that to withdraw altogether from the Suez Canal Zone would mean the end of the Commonwealth as an independent system in the world.

A NEW STATE IN AFRICA

THE FEDERATION OF RHODESIA AND NYASALAND

THE scheme for Central African Federation has now been approved by both Houses of Parliament in London, by a referendum in Southern Rhodesia and by the Legislative Councils of Northern Rhodesia and Nyasaland. It remains for the necessary legislative and executive action to be taken by the British Government to bring into being the Federation of Northern and Southern Rhodesia and Nyasaland and so give effect to these decisions. It would seem therefore to be an opportune moment to review the position and to try to arrive at conclusions with which all participants in the recent controversy may agree.

The issue is admitted to be one of the gravest importance, not only to the three territories concerned, but also to future racial harmony throughout the British Empire and, indeed, throughout the world. Is it or is it not possible for a multiracial community whose component parts differ not only in colour but also in stages of culture and civilization, in natural and acquired capacity, in tradition and custom, to be bound amicably together in a community which accepts the leadership of those best qualified to lead, and is content to work slowly towards an equal partnership which can only be based upon the real attainment of equality through a probationary and tutelary period of trust and goodwill? So much depends upon the answer to this question—the future peace of Africa and perhaps of the whole world—and no satisfying answer can be given save in the realm of practice. The academic stage is over and the experiment passes from the debating chamber to the field.

A remarkable feature of the recent discussions, which have been held after thirty years of desultory consideration and two years of intensive study by experts and others, has been the general agreement in principle that the Federation scheme evolved by successive British Governments in consultation with the Governments of the three Territories is good, and likely to further the interests of all the inhabitants. Opposition has concentrated on a plea for delay in bringing the scheme into force, in order to enable African opinion to be persuaded of its merits and of the safeguarding of their interests both present and future. Clearly any scheme for building a new multiracial State must reject the views of extremists who want absolute domination by one race, whether black or white. Domination by virtue of sheer numbers or domination by virtue of superior ability, enterprise and culture is alike inimical to the idea of a progressive partnership based on an accepted standard of qualifications. The case for Federation rests upon an economic basis. Neither Southern Rhodesia nor Northern Rhodesia, nor least of all Nyasaland, is a viable unit in isolation. The great potential wealth of this vast and sparsely populated area cannot be developed without capital. It must attract from outside investment capital as well as men with ability, skill and enterprise, and for this purpose it must be able to offer the prospect of stable

and balanced government in a country whose economy is sufficiently diversified to stand alone.

The Welfare of the African

APART from the plea for delay in order to convince African opinion, many of the opponents of the Federal scheme have expressed distrust of the good faith of the European community of Central Africa. This distrust has steadfastly ignored the record of the Southern Rhodesian Government and its repeatedly declared policy of fitting its black African citizens for ever-increasing responsibility. The vast majority of informed opinion has with equal steadfastness maintained that the only way to convince both doubting Africans and external disbelievers in Rhodesian good faith is to prove in practice that their fears have no foundation. And so we reach the stage of implementing the decisions of the Governments concerned and of bringing the much discussed Federal scheme into being. What is the proper course for those who have genuinely doubted the wisdom of the scheme or who have had honest misgivings about bringing it into force at once in the face of organized opposition from most of such African opinion as is vocal? It is necessary to look at present facts and to assume that the British Government will not falter in doing what it believes to be right and in the best interests of all races inhabiting Central Africa. There has been such universal agreement on the economic advantages likely to accrue from Federation, advantages which will be shared by all citizens of the new State, that it is unnecessary to discuss them in detail. Clearly the co-ordination of communications and the development of hydro-electric power, the attraction of capital for new industries and for the expansion of mineral and agricultural development, will provide the means of improving social services, of extending educational and welfare facilities and, in short, of giving to African and European alike the amenities and opportunities of a progressive civilization. Economic progress is the *sine qua non* of political and social progress.

The new Federal Government will be concerned with the economic development of the Federation as a whole, and only the Federal Legislature can make laws concerning those matters of common interest which in the interest of the Federation as a whole must be so handled—such as customs, communications, currency, defence, higher education and development of natural resources. This is the Exclusive List. There is then a Concurrent List of matters over which the Federation and the Territories may both need to have some jurisdiction. Both the Federal Legislature and the Territorial Legislatures will be empowered to make laws in matters on the Concurrent List, the Federal Law prevailing in case of inconsistency. All matters not dealt with in either of these two lists remain the responsibility of the Territories. They include those matters most closely affecting the daily life of the African people, including questions of land and territorial political advancement. Each of the three Territories is to maintain its present political status *vis-à-vis* the United Kingdom; i.e. the Colony of Southern Rhodesia will continue to enjoy responsible government in accordance with its Constitution, and Northern Rhodesia and Nyasaland will continue, under the special protection

of Her Majesty, to enjoy separate Governments. No British subject or British protected person domiciled within the Federation may be considered ineligible for the Federal Public Service on grounds of race, and the tests of such appointments will be solely competence, experience and general suitability.

Safeguards and Review

THE Federal Legislature of thirty-five elected members is to contain amongst the thirty-five members six specially elected African members and three European members charged with special responsibilities for African interests. There will also be a Standing Committee of the Legislature to be called the African Affairs Board, consisting of one African and one European member from each of the Territories, drawn from those members of the Federal Legislature who have been specially elected or appointed to represent African interests. The primary function of the Board is to watch and safeguard the interest of Africans in matters of legislation. They may, on the passing of any Bill by the Federal Assembly, present to the Speaker a request in writing that the Bill be reserved for the signification of Her Majesty's pleasure on the grounds that it is a differentiating measure, giving their reasons therefor. The Speaker will deliver such request to the Governor General, who will not then assent to the Bill pending the signification of Her Majesty's pleasure unless he satisfies himself that the reasons given by the Board are irrelevant or frivolous or unless he is satisfied by the Prime Minister that it is essential in the public interest for the Bill to be brought into immediate operation. In the event of either of these occurrences the Governor General will report his action and his reasons to the Secretary of State.

To give the Federal State time to establish itself provision is made that for a period of ten years after the Constitution comes into force there shall be no change in the division of powers between the Federation and the Territories except with the consent of all three Territorial Legislatures.

It is further provided that the Governments of the Federation, the three constituent States and the United Kingdom shall meet in conference to review the working of the Federal Constitution not less than seven or more than nine years from the establishment of the Federation.

It would be difficult to devise any more powerful safeguards for African interests than those already embodied in the proposed Federal Constitution, but what really matters is the spirit in which it will be worked. As the Archbishop of Canterbury said in the recent House of Lords debate, "The question is, will this Constitution be worked in a spirit of real endeavour to make the partnership grow, or will it not?" He informed the House that after anxious thought he had reached a conclusion in favour of Federation, and Federation now, because he could not believe that delay was going to help the matter at all. In a previous joint communication to the press the Archbishop of Canterbury, the Moderator of the General Assembly of the Church of Scotland and the Moderator of the Free Church Federal Council, after declaring that the new Federation must earn the confidence of Africans, went on to say that "operated by men of good will, it must hold out real hope

for the economic advance, the political stability, and the healthy co-operation of all races". It is interesting to note that two strong advocates of delay—for very different reasons—Lord Hemingford and Mr. Stockil, have both taken the same patriotic attitude towards the defeat of their views. Lord Hemingford, speaking on April 1 in the House of Lords, said: "I hope, as all your Lordships will, that if this Federal scheme does go through Africans will accept it, swallowing any bitterness that they feel and determined that any failure that may occur in partnership shall not occur on their side." And later on in his speech, referring to African declarations of non-violent opposition, "it would be even better if they were to adopt the attitude of trying to make the Federal scheme work". When the results of the Southern Rhodesian referendum were announced and revealed voting of 25,510 for Federation and 14,729 against, a majority of 10,841 or 63 per cent in favour of Federation on a poll in which 82.3 per cent of the electorate recorded their votes, Mr. Stockil, leader of the Opposition, accepted the defeat in a statesmanlike spirit and called on everyone to work together to make the scheme a success.* Mr. Churchill in a message to Sir Godfrey Huggins commented that that was the spirit which should prevail within and without Central Africa.

The Need for Co-operation

IS it too much to hope that the same spirit will inspire all sections of the community in the United Kingdom who opposed the initiation of Federation now, while admitting the merits of the scheme in principle? The irreconcilable opponents of Federation in any shape or form constituted a small minority who favoured domination by one race or the other. The majority were composed of those who honestly believed that delay would be in the best interests of the African. It is of very great importance for them to re-examine their position and to reconsider how the best interests of the Africans and also of their own country, Britain, can now be served. There is no doubt that Federation will shortly be initiated in pursuance of a decision arrived at in a constitutional manner. It can be made to succeed and by its very success to accelerate the steady disappearance of those discriminatory features of Central African life that are so deeply deplored by many people both in Britain and in Africa. It is certain that they cannot be dissipated by decree and that they will only be accentuated by arbitrary interference from outside. The tendency for them to fade away is already there, and as the African gains in economic strength and capacity his political and social progress will inevitably follow.

There has been a regrettable confusion of thought in many quarters. The social problems of Central Africa are not implicit in Federation and indeed are largely irrelevant to that issue. They were there before Federation

* Mr. Attlee, speaking for the Opposition in the United Kingdom, made an almost identical appeal for former advocates and opponents to work together to make a success of Federation. The occasion was the second reading debate on the Bill, which has since passed both Houses, to enable the Federal Scheme to be brought into effect by Order in Council.—*Editor.*

and will remain with lessened chance of peaceful solution if Federation fails. It would seem then that anyone who works now to encourage African resistance and to deepen the African's suspicion and dislike of changes which he does not fully understand will be doing the devil's work. What comfort could it be to any Christian to write his intransigence and disapproval in letters of blood from the Limpopo to Lake Nyasa? The African is moved by vague fears and suspicions, and he has been told by those who reject all idea of partnership that his interests will be ignored by Federation. Although examination of the scheme reveals no evidence that his lot will be adversely affected, probably nothing short of seeing its effect in practice will now convince him of its benefits and of its limitless horizon of opportunities for him and his kind.

There is no doubt that if Federation were to fail the interests of all inhabitants of Central Africa would be gravely imperilled and the hope of a peaceful and prosperous future damaged beyond repair. There are small groups who want this to happen and who are ambitious to snatch power from chaos and racial strife. The question which honest opponents of the idea of immediate Federation must ask themselves is just this—would they wish to be the tools of such groups? Would they consider chaos or strife or bloodshed an excessive price to pay for personal vindication or party advantage? In other words, are the peace, prosperity and happiness of all races in Central Africa the sole aim of their thought and action or is it something less worthy? Most of the opposition to immediate Federation while the issue was still undecided came from those who pleaded for delay so that it might, as they thought, thereby be launched with better hopes of success. Surely they must now still do their best to make the scheme succeed by advising all sections of opinion to accept the decision of the governments concerned and to ensure success by active participation and by using the opportunities enshrined in the Federation scheme. There is really only one way in which Federation could fail, and that is if the Africans were persuaded to refuse all co-operation and to sacrifice all their own interests and hope of progress for the purely destructive purpose of wrecking it. There is no likelihood of their doing that unless they receive the most active encouragement and most powerful support from individuals and from organizations in Britain. Short of that amount of mischievous if not subversive support a certain amount of damage can be done by reckless and irresponsible persons who may encourage African advocates of black domination in their efforts to sabotage all hopes of partnership and multiracial co-operation.

What is at Stake

SUCH lesser opposition may hamper and delay the success of Federation, but it cannot prevent its ultimate vindication if all men of goodwill and good faith work to make come true its vision of a new State in which racial partnership and co-operation will set a new and hopeful example to the rest of Africa and to the world.

The writer believes that the next twelve months are indeed fraught with destiny. Granted a fair start Federation must succeed by its own impetus,

and all the dreams of white and black patriots can gain substantial form on the only possible foundation—economic success.

One final word. If the wreckers and the sowers of tares had their way and Federation were to be ruined from the start by virtue of being denied a start at all, what would be the price paid by humanity? A little thought will show that it would be terribly heavy. No other feasible solution of Central African problems has even been suggested. The three Territories could only look forward with growing apprehension to a future of increasing racial tension and economic frustration in a potential land of plenty. Southern Rhodesia and probably Northern Rhodesia would tend to gravitate into the orbit of South Africa, and Nyasaland would face a black future of continued inability to finance the progress which its inhabitants have been encouraged to desire. Economic facts are stubborn obstacles, against which mere wishful thinking beats in vain. The happy status of the backward peasant is an idyllic mirage. We are slowly realizing, all too slowly, that economic development and economic opportunity must precede political and social rights in order to give them reality and to make them natural. If Federation and partnership should fail we shall not only have thrown away the hopes of the African in order to gratify his fears, but we shall have lost a chance of "creating a great new bastion of Western philosophy by filling the last great habitable vacuum in the world", for Central Africa is still largely an empty country full of waiting potentialities, mineral and agricultural. Rhodesia is a challenge to the ability of Western civilization to find a solution to the problems of a plural society, and with that solution may also be bound up much of the prospect of economic recovery for the United Kingdom. The direct association under Federation between all the Africans of the two Rhodesias and Nyasaland could not fail to benefit their cause, as its failure would equivalently weaken their position. One can confidently hope that at an early date Sir Godfrey Huggins will make a public declaration which will reassure Africans and be evidence of the sincerity of his intentions. Probably no such evidence is needed by Africans in Southern Rhodesia since they have the proof before them, but it may serve a useful purpose abroad in reassuring the public opinion of other countries including Britain.

The proper prayer for all former opponents of immediate Federation is surely one for guidance to do what is now right in the altered circumstances of today. Meanwhile all Central African citizens of whatever race may well think with Shakespeare:

There is a tide in the affairs of men,
Which, taken at the flood, leads on to fortune;
Omitted, all the voyage of their life
Is bound in shallows and in miseries.
On such a full sea are we now afloat,
And we must take the current when it serves,
Or lose our ventures.

THE PATIENCE OF THE PRESIDENT

A HUNDRED DAYS OF THE REPUBLICANS

PRESIDENT EISENHOWER's first hundred days have been deceptively calm. The inevitable comparison with the action-crammed dynamic first hundred days of President Roosevelt's administration back in 1933, a memorable period in American domestic history, would make it appear that we are in a do-nothing era. In point of fact, President Eisenhower has been laying deep foundations for a sound and well-balanced domestic administration which will maintain for the long pull an effective American position in the world. From the day of his inauguration, he had been waiting for a suitable moment to put a set of American peace terms before the world. This he was finally able to do in his speech to the American Society of Newspaper Editors on April 16. The reception of these peace terms generally through the non-Communist world, and the careful attention they got in the Communist capitals, would indicate that in its careful way the Eisenhower Administration has set new and hopeful directions.

The keynote of President Eisenhower's conduct of the American Government is a word and a quality more often praised than practised: patience. Another description of his approach to his problems is its moderation. He is a prudent and careful man, and in addition to these excellent attributes he also has an abundance of good will and respect for others. He would prefer to make allies rather than enemies.

All this explains why a show-down between the President and Senator McCarthy has been so long delayed. Mr. Eisenhower undoubtedly was governed by these considerations: the hope, however remote, that Senator McCarthy's dynamism might be turned into cooperation, into effective support of Eisenhower objectives; the alternative belief that sooner or later Senator McCarthy would reveal himself in such demagogic and reckless terms as to destroy himself; the certainty that any early challenge to Senator McCarthy would result in a violent and disruptive national controversy.

And so the President has "suffered it to be so now". He has had the same attitude towards the various blunders and stumbles of his Cabinet members. He knows they have to learn their way into the labyrinths of government. And so he has been patient with them. Similarly, Mr. Eisenhower has shown a great respect for Congress and its prerogatives—more than Congress has shown toward him and the executive branch. Perhaps it can be said that the President has not given enough leadership to the legislative program. But it may be remembered that we are at the end of a twenty-year period during much of which the power of the executive branch was built up at the expense of the legislative. Congress is determined to get its own back with a vengeance. So the pendulum has swung too far in the opposite direction.

This situation may not continue. Let nobody think President Eisenhower is a weak man because he is a patient man. The whole pattern of his policy

behaviour, down through the years, has been to wait quietly until he understood all the facts, and then to act forcefully and decisively. During the late presidential campaign the President was unable to operate at his own preferred tempo. He was out of his depth, and he took the advice of the so-called professionals, often to his later regret. This caused actions and decisions that were too hurried, too arbitrary, too extreme. If he had done things his own way during the campaign, it would have been more consistent and effective. But that is all over now.

The exercise of patience is not always painless or without price. Thus, the situation in the State Department is today deplorable. Here, under the general theory of "give McCarthy rope"—or perhaps with the idea that fires had to be put out by any expedient—patience became rank appeasement. There is, however, another aspect of this problem: President Eisenhower and Secretary Dulles were not willing to accept at face value all the policy-makers in the State Department whom they had inherited. Of course, the posts of Under-Secretary of State, his Deputy, and the Assistant Secretaries of State were changed at once. That is automatic. In due course, a considerable number of lesser jobs would have been changed. This is not quite so outrageous as it may seem to persons familiar with the operation of the civil service in Great Britain. By no means all of the people holding these crucial jobs were career men in a genuine sense. Mostly they were bright young men who had been recruited into government by the New Deal. They were in large measure imbued with the Roosevelt-Truman-Acheson approach to world problems. They were deeply committed to past policies and ways. Their personal convictions and reputations depended on a total defense of past policy.

What would have happened in Great Britain if, for twenty years, the top fifty men in the Foreign Office had been recruited and indoctrinated and had lived in an atmosphere of dedication to certain sharp political and party lines? And suppose a polar opposite government came into power? Would not some of these men have been shifted discreetly from their policy-making posts to less crucial diplomatic establishments throughout the world?

President and Secretary of State

THIS should, and probably would, have happened in the State Department. But Senator McCarthy didn't give the President and Secretary Dulles time to move. Or, it might be added, Secretary Dulles was too busy with other and doubtless equally urgent matters to begin his discreet adjustments as fast and as fully as he should. Nor is he much interested in administrative structure. Senator McCarthy fired from the hip. And Secretary Dulles at first appeased him. The initial issue was about books by Communist or fellow-traveler authors in United States Information Service libraries abroad. Secretary Dulles authorized the issue of a perfectly fatuous order banning quotations from Communists. In terms of the order, it would have been impossible for the U.S.I.S. to have announced or commented on the death of Stalin! But on the other hand it was impossible to explain the presence of some of the pro-Communist books or materials in libraries overseas except on

grounds of fatuity or subversion. So Secretary Dulles had a real problem—over books as over men. In due course, he was able to begin dealing with the problems effectively. But Mr. Dulles was unable and unwilling to make a total defense of all the old office-holders and their policies. And since he could not make a total defense, any in-between position was awkward and hard to maintain. Meantime, morale in the State Department suffered gravely. It will take some time before the career service of the State Department will be restored to its essential vigor, confidence and attractiveness to adequate talent.

There is plenty of talk in Washington that Secretary Dulles's days in office are numbered. This is sheer speculation. President Eisenhower is not the man to dismiss important associates impulsively. Secretary Dulles's qualifications for his post are not inconsiderable. He should not be dismissed because the small and bitter anti-Eisenhower wing of the Senate is against him. But his policies have not yet been signally successful. And his words do not always harmonize with those of the President. It is debatable whether his talk of liberating the satellite states has done more harm than good. It has probably been useful domestic politics. How much damage has it done abroad? In general terms, it seems clear that Mr. Dulles is one of the more gifted and realistic American Secretaries of State. It appears that he sometimes irritates friendly chancelleries, but in time his realism may come to be respected. And yet his attitude and approach to world problems remain not quite those of President Eisenhower. The two men are not fully congenial types.

In Case of a Vacancy

IF, in the course of the year, the President were to consider a change, who would be his choice? Some time ago, people thought Governor Dewey might become Secretary of State. But as President Eisenhower's political debt to Governor Dewey recedes farther and farther into the background, the New York Governor's appointment as our foreign minister seems less likely. It would greatly irritate the anti-Dewey faction in the Senate, which is substantial. Indeed, it seems no great improvement over the Dulles situation, and Mr. Dulles is after all a more experienced technician.

Ambassador Henry Cabot Lodge has been mentioned for the post. His skill and firmness at the United Nations has been much admired. He is accumulating experience. He had been for years a firm follower of the late Senator Vandenberg, who came to synthesize an admirable blend of awareness of international responsibilities with domestic moderate conservatism. Mr. Lodge has himself challenged Senator Taft in the past, but not in the frontal—and successful—manner of Governor Dewey. So perhaps Mr. Lodge would be an effective appointment from the viewpoint of domestic politics; whether he has learned enough about world problems to make a wise, restrained, but imaginative and forthright foreign minister is still problematical.

The Washington gossips have been mentioning Allen Dulles, the Secretary of State's brother, who is now head of the Central Intelligence Agency, as a possible replacement. This piquant step is not inconceivable. Allen Dulles is

very highly regarded by all specialists in foreign affairs. He is an experienced, poised, intelligent, well-informed person. If there is to be a change, Dulles for Dulles is far from inconceivable.

Peace Terms for the Cold War

WITH President Eisenhower's address on April 16, the world policies he has long wished to inaugurate got under way. He set before the world a strong and effective set of peace terms. American public opinion has no serious reservations about these terms. It is united behind the President. Of course, there will still be serious trouble in the specific application of these policies to our relations with the Chinese Nationalists and the Chinese Communists. However realistically many Americans might wish to approach the *status quo* in Asia, they face two obstacles. One is the remaining stark strength of the "China Lobby" in Washington. More than a few powerful Senators are deeply convinced that the Chinese Nationalists received double-dealing at the hands of the U.S. State Department. Such leaders would make a bitter-end fight against any decisions that conceded Formosa to the Chinese Communists, or abandoned Chiang Kai-shek.

But quite apart from the China Lobby extremists, wide and dominant areas of American thinking would be unwilling to abandon Formosa to the Communists. Such an act, it is recognized, would be brutal toward the Formosans themselves, who have a right to choose their own régime. And it is felt that the better elements among the Nationalists on Formosa have been working out a superior form of Asiatic government on the island. There remains the problem of adjusting relations between these more responsible, honest, and forward-looking Chinese Nationalists, and the Formosans. But a good many Americans cling to the hope that Formosa may become a show-case for Asia of effective, responsible Chinese Government. They hope the Chinese Government-in-exile may continue there until such time as Communism breaks down on the mainland. How or when such an event may take place is, of course, lost in the shadows. And before long, the Formosans would certainly have to be given a larger hand in their own rule. But it is hard for Americans to understand how some British speakers and writers can so flatly consider the total abandonment of the vestiges of Chinese anti-Communism—an abandonment which would seem inevitably to involve terror and retribution on a vast scale.

Nevertheless, the Eisenhower Administration is quietly but diligently looking forward to broad settlements in Asia. At the least, an autonomous Formosa under U.N. trusteeship has been seriously mentioned. But such a stage of policy is now premature. The armistice in Korea must be achieved first. And, in all probability, the dangers in Indo-China must be coped with more effectively before any settlement will be realistic. American policy is one of aiding and strengthening Asiatic anti-Communism all down the line from Korea and Japan, through Formosa and the Philippines, to Indo-China, Malaya and Indonesia. It is hoped, in the current phrase, to "disengage" American ground forces as much as possible from involvement in the Far

East, turning over defense against Communist pressure to the Republic of Koreans, the Chinese Nationalists and Formosans, and the anti-Communist Indo-Chinese and others. Such a program involves the continuation of much material aid, much training, much general support. But in general it is based on a healthier position, by which the anti-Communist forces in the world would be more self-sufficient, autonomous, and free from external intervention.

President Eisenhower has repeatedly emphasized the American desire to refrain from any kind of interference in the affairs of other nations. He well recognizes that there is widespread misunderstanding and resentment throughout the world of the rôle the United States has been forced to play. In his Inaugural Message, as in his April 16 speech, he emphasized the right of free choice which is central among all the rights of men. And so American "disengagement" in Asia is not a sign of isolationism, not an economy measure, but an effort to contribute to a sounder American relationship with the unstable portions of the world. It is in part a return to "anti-imperialism". Its purpose is not to evade responsibilities, nor to complicate the difficulties of nations which still have colonial burdens, but to achieve—sooner or later—an adequate understanding of the American rôle among the new nations and those yet unborn.

To set these new relationships into motion—to escape from the misunderstandings which have beset American policy in these difficult years—is a basic Eisenhower purpose. For precisely these reasons, Secretary Dulles and Mutual Security Administrator Stassen are going to the Middle East soon. It will be the first time in history that an American Secretary of State has ever visited these proud, sensitive, and disordered nations. And it is hoped that the intended compliment of the visit will help persuade the Arab world that American policy is not inimical to their best interests.

Similarly, the President is sending his able and engaging brother, Dr. Milton Eisenhower, on a good-will tour of Latin America. The other nations in the American hemisphere have not received much attention in Washington policy in recent years, and relationships have deteriorated. Whether anything fundamental can be done about U.S.-Argentine relations, so long as the Perón régime is in office and presses its authoritarian policies, is highly uncertain. Whether the pro-Communist government in Guatemala will be in any way responsive to friendly overtures is likewise dubious. But elsewhere, as in Chile, Brazil and Uruguay, fences of understanding can well be repaired.

All told, therefore, the quiet hundred days have seen foreign policies set on constructive and purposeful tracks: the affirmative interest of the United States in peace and stability, our commitment to the advancement of people everywhere who have such great social needs, our desire to avoid military, material or cultural imperialism, have all been given more vigorous direction. If and when the Soviet Union, or the Chinese Communists, are ready for a serious negotiation, the American Government will be prepared.

However, it must be candidly added that Washington is by no means sure the Kremlin leaders have any other present purpose in their peace offensive than to buy time for the soothing of their own people, both in the Soviet

Union and the satellites. The American Government sees as yet no firm signs that Moscow really wants to reach enforceable and meaningful agreements. There are plenty of ways—which have been spelled out in London and Washington alike—by which the new rulers of Russia could prove their good faith. None of these ways has yet been utilized, except perhaps in the exchange of prisoners in Korea, and there the initiative and motive may have been based on Peiping. If Messrs. Malenkov, Beria and Molotov are merely seeking to assuage their own people and perhaps mislead or disarm the West, Washington believes the present period may include more danger than hope. But no doors are barred, in Washington policy, to the unfolding of peaceful agreement. Meantime, the American Government has no intention of diminishing the rearmament and economic and social strengthening of the West. The tempo of rearmament is being stretched out, but that may be a sign of common sense and stability and it may lead to greater and better-balanced strength in the long run. At least, it is the American purpose to try and make virtues of necessities.

Limitation of Federal Functions

IN domestic policies, the Eisenhower Administration is getting stronger. It took many weeks for the new Cabinet members to settle down, and they still have serious lessons to learn. It will take still longer for the Republican majority in Congress to get over the unfamiliar intoxications of power. And it may be even longer still before demagogues like Senator McCarthy are silenced, or decide that the political profits to be reaped from anti-Communist fears are no longer substantial. For the first time in our national history, the United States is confronted by a world force which might well wreak severe destruction on our continental homeland. Uncertainty and fear which derive from this situation have permeated our thinking and put the obvious premium on demagoguery.

These internal problems beset us, and have made the going very hard for the Eisenhower Administration. But the President's patient tactics seem well enough advised now, and may prove their worth more convincingly in the long run. If he has estimated wrong, and patience turns out to be total appeasement after all, his Administration will have to face a serious crisis.

Already the shadow of next year's congressional elections lies heavily over Washington. The Republican majorities in both Senate and House are minute. Each could be overturned in November 1953. One-third of the Senate members, and all members of the House, are up for re-election. The curse of American politics—election-mindedness—will get deeper for the next nineteen months. The Administration will have to skirt its way through these pitfalls.

Meantime, the Administration is working in terms of trends, rather than accomplished facts. The whole movement of the federal government is toward economy, which in turn may mean lower taxes. This trend can best be served by rationalizing and cutting down the vast federal bureaucracy which had fed on itself—and on the taxpayer—in recent years. This is not to deny the need for many new social services developed in the last twenty years,

the new responsibilities for government. These exist, and will continue. But within the framework of accepting such new needs, there remains the opportunity of cutting out the dead wood. Bigness, Americans believe they have learned, and especially bigness in government, is difficult to make efficient and economical. Our civil service traditions are not high, though they are mounting. Political interference with administrative operations is considerable. But above all, there are the well-known phenomena by means of which bureaucracy creates more bureaucracy, and a function once engrafted in governmental experience is infinitely difficult to remove.

More fundamentally, the Eisenhower Administration believes the federal government has unnecessarily and inefficiently taken power from the states. The present and prospective keynote is to scrutinize every governmental act in terms of these tests: can the job be done by private enterprise or initiative; can the job be done locally? If the answer to either question is affirmative, the federal government will try to diminish or end the function. There is a difference between turning back the hands of the clock, and stopping the process of buying new clocks. The federal government is not going to be dismantled, but it is going to have to prove the validity of each of its substantive functions. This re-examination process takes time. It is a trend—a direction. And in the long run it may prevent American government from being overwhelmed by its own new weight and complexity.

The trend means, perhaps, that the federal budget can be balanced next year and tax burdens reduced. Such action will be most timely if armament expenditure levels off and there are serious threats of a business recession. The Administration is already applying monetary policies to the dangers of recession. The team of Secretary of Treasury Humphrey and Under-Secretary Randolph Burgess is well equipped to apply and coordinate monetary policy. The lowering of taxes ought to have a clear and direct influence on business enterprise. But in addition, if signs of slump become graver, the Administration will not hesitate to support a wide program of public works, however difficult and inconsistent that may seem in an era of budget-cutting! At the same time, of course, economies could be applied in other lines which would not so effectively support the economy.

The point is that no American Government—certainly not the Eisenhower Administration—could stand by while unemployment spread its ravages and the economy was reduced to the plight of 1932. Whether the most effective possible measures would still be enough to stem a grave crisis is unpredictable. But the present outlook is nothing like so dire; indeed, it is not especially dire at all. The American economy is strong, there is still much defense spending ahead, there is high purchasing power, a major back-log of savings, very high employment, a large pool of public works which need to be built. If shortages have disappeared and many deferred consumer demands are met, the fact remains that consumption continues at a very high level. The stock market has fluctuated whimsically in the face of the peace offensive, but no basic downward movement has set in and there is widespread conviction that stock values have not been seriously inflated.

President Eisenhower shows himself a man capable of carrying heavy

responsibilities without being crushed, a man with a keen sense of delegating administrative responsibilities, a man not anxious to increase his power but rather with a deep desire to support balance of power within American government, an idealist with a deep commitment to the needs and rights of others—especially of other nations and peoples—a realist who understands the necessity and the danger of military power. His Administration has taken advantage of its opportunities thus far; it may well become a great Administration, for America and for the world. And, in all candor, it may be added that its crises are for the most part still ahead. Action, as well as patience, will be needed. But President Eisenhower has not, during the last decade, shown any sign of evading decisions however fateful.

United States of America,
May 1953.

PEOPLING AUSTRALIA

PROSPECTS OF COMMONWEALTH MIGRATION

An opal-hearted country, a wilful lavish land
All ye that have not seen her,
Ye will not understand. DOROTHEA MCKELLAR

EVEN to those who have seen much of Australia there is also much they "cannot understand", for the facts unfold slowly and are often seen at best as through a mist darkly. The person therefore who tries to interpret the problems of Australian immigration, land settlement and development to the person who has "not seen her" has a doubly difficult task.

It is given to the poet also to state in words that elude the more prosaic fact-hunter a curiously accurate description of Australia and its swiftly changing moods.

The opal, especially the black opal, is an Australian gem which at its best is of extraordinary beauty; its predominant colours are green and red, and these change swiftly as you move the stone from one position to another. A more perfect simile of the seasons and their vagaries in Australia it would be hard to find. At one time it may seem a land abundant in everything that maketh glad the heart of man. Then almost overnight it can and does change to blistering drought, raging dust storms, fierce bush fires and blazing heat. Then once again the scene will change and great areas are inundated with copious and torrential rains. The coastwise rivers burst their banks, the landwise rivers spread out over vast plains, and then again you see the astonishing miracle of nature. Almost overnight, to quote Dorothea McKellar again, you "see after many days The filmy veil of greenness, Which thickens as you gaze". There is no poetic licence here, but a sober statement of fact in charming verse. Those who have seen the inland after drought followed by rain know that it is almost possible to see the grass and herbage growing, so swift is its onset.

Even in those parts of Australia which are known variously and picturesquely as the "Red Heart" and "Dead Heart" of Australia, a swing of rainfall from its beaten track and these vast inland areas become a garden of beauty. The truth is that there is little real desert, relatively speaking, in Australia. There is unfortunately a vast area which seldom gets sufficient rainfall to sustain more than the minimum of animal life. Until it becomes possible to treat enormous quantities of sea-water economically, it is likely to remain so, unless one of those curious changes of rainfall occurs which have apparently occurred elsewhere.

In considering the peopling of Australia,* a few facts concisely stated may assist the student to get a correct perspective.

* The present article, by a subject of a different Australian State, was posted from Australia before that in the last issue of *THE ROUND TABLE*, discussing the same subject from a slightly different point of view, was published.—*Editor*.

The area of Australia is approximately 3 million square miles, or roughly that of the U.S.A. The population of Australia is now $8\frac{1}{2}$ millions.

The area of Australia under National Forests and State

Forest Reserves is 100,000 sq. miles

Plus—25,000 square miles of private forest.

The area of Australia under improved pasture lands is . . . 15 million acres

The area under cereal and other crops is . . . 22 " "

The total number of sheep and lambs is . . . 117 millions

The total number of cattle, other than dairy cattle, is . . . 10.4 "

The total number of dairy cattle is . . . 4.8 "

The total number of pigs is . . . 1.13 "

The output of coal mines is . . . 14 million tons per annum.

The value of all mining is . . . A£67.7 million

The total value of forestry products is . . . A£17.7 "

The total value of fisheries output is . . . A£3.5 "

The total task force engaged in rural primary production
(exclusive of forests, fisheries and fur trapping) is . . . 407,000

Turning from these statistics to those of the secondary industries, the comparable statistics are as follows:

Total number of factories . . . 43,000

Total value of production from factories . . . A£2,200 million

Total added value of production . . . A£845,000 "

Total number of persons employed . . . 1.92 "

Population and Standard of Living

HAVING outlined the population of Australia and broadly the occupations in which her people are engaged, we can now turn to consider the possibilities of immigration into Australia. This entails an examination of all the available data to ascertain what maximum population the continent is likely to support. Concurrently it is necessary to ascertain, if possible, what maximum population Australia can hope to support at a reasonable standard of living. The two things, of course, are not necessarily identical.

For many years these questions have engaged the attention of students and statesmen. Estimates of the total population range from 15 millions to 100 millions. In the light of all known techniques of land use, it is probable that Australia could ultimately support a population, well able to maintain itself at a high standard of living with adequate food, of approximately 50 millions.

In the early 'twenties Dr. Richardson of the Waite Institute of Adelaide arrived at the conclusion that Australia could support a population of 100 millions. He based his estimate on the belief that Australia could produce sufficient wheat to feed that number of people. The highest yield that Australia has produced to date, in 1947-48, was 220 million bushels. For the past five years, when the wheat acreage has been abnormally low and the seasons on the whole favourable, the average yield per annum has been approximately 148 million bushels. Taking the first figure and allowing the amount of five bushels a head for human consumption, the record yield would have provided

for approximately 40 million people. From the total, however, must be deducted seed wheat and wheat used for stock and poultry feed. Last year the total for these purposes was approximately 30 million bushels. Though there is reason for believing that not all the wheat produced on farms may have come into statistical computation (the curious position which occurs in Australia, where wheat is often sold direct by wheat farmers to poultry farmers and pig raisers more profitably than through the government pools, accounts for much of the leakage), the figures are sufficiently exact to use as a basis of discussion.

The suggested ultimate estimate of 500 million bushels of wheat per annum was submitted by the writer to the present Chairman of the Australian Wheat Board, probably the greatest living expert in Australia on wheat and wheat marketing. With some reserve he expressed the opinion that such a figure ultimately could be reached by extending to marginal lands, and using new techniques, especially those relating to "trace elements". On the other hand, he thought that such continuous and heavy use of the land to maintain this average yield would be so great as to impoverish the land and thus defeat the object. The deduction, however, to be drawn from this criticism would seem to support the view that Australia could without these evil consequences maintain a population of at least 50 millions.

This approach, however, omits two items of great importance. First, it takes no cognizance of the possibilities of rice-growing in the north of Australia. Recent surveys by the Commonwealth Scientific and Industrial Research Organization (C.S.I.R.O.) indicate that on the Ord and Katherine Rivers, in the far north, there are areas which are most promising. Rice is grown successfully under irrigation in the State of New South Wales, and in sufficient quantities to satisfy Australia's own needs, and more. It unfortunately draws heavily on the available water and raises problems of drainage which strictly limit its extension. The latter may not arise in the far north, but the provision of water involves storages of the first magnitude and huge capital expenditure. At this stage it seems wiser to divert capital to the more temperate climes and existing facilities. Meanwhile the C.S.I.R.O. in conjunction with the Western Australian Government and the Commonwealth are wisely carrying on experiments designed to reveal the special problems of successful production before any large-scale expenditure is launched.

There is no desire to emulate the experience of the founders of the African Groundnuts Scheme. Incidentally these nuts, more popularly known in Australia as "peanuts", do grow remarkably well in the far north, in picked spots along the rivers and where some small-scale irrigation can be practised. It is probable that there could be a big extension of this industry if and when large-scale irrigation storages are undertaken.

Though the present stage of our development rules out the immediate expansion and growth of these industries in the far north of Australia, and by that I mean the far north of both Western Australia and the Northern Territory, they would certainly become factors of the first importance as the population of Australia passed the 30-million mark.

The second factor that renders the wheat approach to maximum population a matter of caution is that fickle nature of the rainfall to which reference has already been made. Though it is hard to dogmatize, there appears to be a fairly well-defined cycle which affects rainfall in Australia. This takes the form of a more or less severe continent-wide drought every 15 years, with one of exceptional severity every 30 years.

The impacts of these droughts can be mitigated though not entirely overcome by three things. First, the regular and adequate storage of fodder-supplies during every good year. Secondly, the adequate storage of foodstuffs, especially wheat, as a national policy. Thirdly and concurrently, the increasing storage of every gallon of the water that so copiously falls in wet seasons and so ruinously runs to waste at the present time. These things must, as our population increases, become a matter not for the individual but for the nation, as a basic insurance of its well-being and existence.

It must be remembered, too, that one of the most interesting features of our Australian scene is the occurrence over wide areas of successive good and abundant seasons. In practically all areas, with the exception of the Southern Alps, there is no need to house stock at any period of the year, and, except during dry spells, even in the winter some fodder will grow. At most during July and August there may be a "dead" period for possibly six weeks. On the other hand, during these months in many districts and over wide areas feed grows rapidly and stock flourish. This is in marked contrast to great areas of Europe and North America where stock have to be continuously housed and fed for periods ranging from four to seven months of the year. This is an offset to the Australian drought, which is more irregular in its variations. If storage of fodder was as consistently made in Australia as in Europe and North America each year, the drought problem would be largely but not entirely solved.

The question now arises, What is the immediate capacity of Australia to absorb additional population from abroad and make proper provision for the native born?

Potential Production Unrealized

THE implication of the present approach to the question of immigration has been that it depends essentially upon the latent and actual capacity of Australia to feed any given number. It depends, too, at this stage on the capacity of Australia to manufacture and sell abroad sufficient to enable it to purchase those things it needs and to pay for its loans from abroad. Alternatively it depends on the capacity of Australia to grow sufficient primary products to maintain its people at a proper standard and yet have enough to pay for imports and debt service.

A survey of the trends of rural primary and secondary production shows that the latter cannot be seriously depended upon to make any great contribution to Australia's external requirements. This may come later. Meanwhile the nation must depend on producing a surplus of rural primary products. The post-war trends show that in the major fields we have been static or have even regressed.

Our wheat acreage has dropped from 14.4 million acres in 1939 to 10 million acres in 1952.

In the same period butter production fell from 208,500 tons to 106,674 tons. Cheese, on the other hand, has increased from 29,000 tons to 35,000 tons.

Wool and sheep have maintained their own very well. It is usual to ascribe the regression in other primary sections to the high price of wool. It would be futile to deny that it has made an impact. Equally futile would it be to ignore other factors which have been much more potent, such as draining away the man-power of the land, first during the war to munition-making and armed forces, and secondly by the encouragement given to secondary industries to expand without the slightest regard for the disastrous effect on the land industries. The low priority given to landowners in obtaining machinery and material brought with it a sense of serious frustration, more disastrous than even high taxation to any hope of increased production. On the other hand, the seasons have been, on the whole, extremely good, with the exception of that of 1952, when there was a drought of great severity.

This is another way of saying that the present production of Australia at its existing stage of development is not a true index of its capacity.

What, then, is its true capacity? Let us consider some of the known facts. If we take a line from a point north of Cairns in Queensland to the coast of South Australia bending slightly in the centre we shall have a length of about 3,000 miles, the average rainfall of which will be approximately 15 inches per annum, rising as high as 200 inches in the north and about 15 inches in the far south. Because the area of the higher rainfall is very limited and the line will perforce pass through some areas as low as 10 inches, the 15-inch average is fairly accurate.

Griffith Taylor in *Pioneer Settlement* estimated that the area of Australia with uniform rainfall and some agriculture was 622,000 square miles; the winter rainfall area 310,000 square miles. Suitable for pastoral purposes only and with summer rains, 659,000 square miles. The arid area comprised 1,378,000 square miles. He estimated that 40 per cent of the total area was in the tropics. Though a portion of his estimate for the area of higher rainfall lies in the south-west corner of the continent in Western Australia, most of the better rainfall lies in the roughly triangular section just outlined on the eastern side of the continent.

R. G. Thomas in the *Agricultural Journal of Victoria*, 1922, estimated the total wheat belt as 260 million acres. He estimated the cultivable area would rise from 25 million acres then cultivated to 42 million acres "by including much marginal land". On this basis the average yield, if a total of 500 million bushels of wheat is to be reached, would need to be 12 bushels to the acre as compared with the 11.81 bushels to the acre of the 10 years ending 1928-29, or the 15.86 bushels per annum of 1947-48.

Dealing with rainfall, Griffiths Taylor concluded that the "most reliable areas are those with less than 25 per cent variation".

They are found in south-west Western Australia, a strip along the coast of South Australia, practically the whole of Victoria, relatively small portions

of New South Wales and Queensland, and a narrow strip along the coast of the Northern Territory.*

From his calculations there emerges the fact that there are approximately 1 million square miles in the favourable belt.

A Twenty-Million Population?

WEIGHING all the evidence available and measuring it against a practical knowledge of the land and its vagaries, the writer of this article has arrived at the conclusion that Australia could, with a steady progress of the irrigation programme and power projects in hand, and a few additional works as a first stage, successfully cope with a total population of 20 millions.

This is based on the assumption that the Snowy River water conservation and power scheme is proceeded with. This proposal is designed to divert two-thirds of the waters of the Snowy River in the Southern Alps of New South Wales, which now flow uselessly away eastward to the ocean, to the western side of the range.

The scheme is estimated to cost A£220 million when completed and produce 3 million kV. One-third of the diverted water will flow into the Murray River on the boundary between Victoria and New South Wales, the other two-thirds will flow into the Murrumbidgee River for the expansion of the Murrumbidgee Irrigation Area in New South Wales. It will provide also an additional 2,340,000 acre feet per annum to the Murray Valley. Apart from the added area for settlement it will be an assurance that the irrigation areas of Victoria, New South Wales and South Australia will not be endangered by failure of adequate supply in time of drought. Professor McDonald Holmes in his recent work estimates the Murray Valley between Victoria and New South Wales at 10,000 square miles, peopled at present with 300,000 population. In this valley lies a large body of fair quality industrial coal which can be used in thermal units to assist in maintaining the peak load of the hydro-electric output of the Snowy River Scheme. The average irrigation holding is about 30 acres on the irrigated section. There is a great area of New South Wales land on the Murray River not yet developed. It is probable that ultimately the population of this valley may easily reach 6 millions.

Extensive irrigation and hydro-electric works are proceeding in Victoria, including Kiewa and Big Eildon Weir.

In New South Wales the conservation of water in the Hunter Valley, on the Namoi River at Keepit, and on the Queensland border in the Severn and allied rivers open up great possibilities of much settlement on small areas of high production. The soil is rich on the Hunter and Northern rivers.

A discovery of major importance is the value of "trace elements" in the treatment of apparently useless land, especially in those areas of high rainfall. Land that was carrying a poor type of sheep at the rate of one sheep to 2 or 3 acres is now carrying up to five sheep to the acre, whilst two to three sheep to the acre are common. This revolution has been brought about by the discovery that infinitesimal quantities of molybdenum, cobalt and zinc,

* *Peopling of Australia*, 1933.

together with phosphorus, calcium and sulphur, supply what the land needs to release its fertility.

Mr. J. Griffiths Davies, President of the Australian Institute of Agricultural Science, in his presidential address in June 1952 suggests that in New South Wales and Victoria alone we should be able to carry 94 million more sheep if we fully utilized the new discoveries of science. He does not suggest that there should be a monoculture, however, but proposes that the increase in carrying capacity should be balanced between sheep, cattle and agriculture. Without necessarily accepting this estimate as final but including increases which are taking place in Tasmania, South Australia and the south of Western Australia, there opens a wide field of increased rural production of a profitable character. Whilst rainfall in the final analysis will be the determining factor, the argument is that much failure in Australia to produce is due to extraordinary deficiencies in the soil. Given proper treatment the capacity of crop and pasture to resist drought is greatly strengthened. There is little quarrel with this assumption.

The C.S.I.R.O. supports the general assumption in its Annual Review of this year when it asserts that by the use of "trace elements" there are millions of acres on the northern and southern tablelands of New South Wales alone that are capable of great improvement and increase in carrying capacity. In the north of New South Wales the State Department of Agriculture has demonstrated successfully that even poor soil in a good rainfall area, properly treated, can carry two and three sheep to the acre continuously and produce high-grade bodies and wool. It is significant that previously this country carried two sheep to 3 or 4 acres, with high lambing mortality, whereas consistently good results, without supplementary feeding, have been obtained over approximately 10 years.

Summing up, it can be said that for the present by these methods Australia can continue to absorb a steady flow of migrants, and that without undermining the existing standard of living.

Need for Capital Expenditure

THERE will be an inevitable demand for capital expenditure. It is certain that Australia needs, and needs badly, an immediate capital outlay of probably not less than £2,000 million. The greater part of this, for the completion of works already mentioned—but including schools, hospitals, roads, extension of electricity, completion of irrigation projects—can be largely met from her own economy. There is, however, a substantial part which must be met from other sources if the work is not to drag and opportunities to be lost.

It is probable that if she passes the first stage of absorbing successfully her first 20 millions her economic strength, if the policy has been wisely carried out, should enable her to take the next steps without undue embarrassment, including the Mareeba-Dimbula, Burdekin and Dawson Valley Irrigation Schemes, which possess great possibilities of sugar and cotton production with the necessary concomitant of sugar-mills and power development and reticulation. They include also the extensive exploitation of the vast resources

of Queensland at Blair Atholl, MacKay and elsewhere, and the opening up and fuller development of her Gulf of Carpentaria country in the far north.

The full possibilities of development in northern New South Wales in the high rainfall area have not yet been really scratched. Reference has been made to the widening vista of profitable land occupation due to recent discoveries of science. But no reference has been made to the great and undoubted possibilities of New England, especially the Clarence River Valley—the second largest hydro-electric possibility in Australia, practically undeveloped; the rich MacLeay Valley also has extensive hydro-electric and irrigation resources which are quite undeveloped. Here, in an area as large as England, with a climate that ranges from the sub-temperate to the sub-tropical, ideal for European settlement, only the inflow of capital and enterprise is needed to raise it from a population of 350,000 to an optimum of not less than 10 millions.

In this area, too, are great forest resources only partly used and developed. As some guide to the secondary uses of the native forests on the eastern fall of the Great Dividing Range in this area, a former Commissioner of Forests of New South Wales estimated that 100,000 acres would support a town with a population of 100,000, maintaining high Australian standards of living. The area reserved for forests in this area is officially stated at approximately 3 million acres.

The purpose of this article has not been to publish a statistical estimate of the known resources of Australia—rather it has been to use official and other data to present a broad picture of the capacity of Australia to maintain a much greater population at a high standard of living.

To achieve this end and to achieve it as rapidly as the very existence of Australia demands, it will be necessary for Australia to seek a rapid inflow of capital as well as migrants to assist her in this onerous task.

To produce sufficient raw material she must have an expanding rural economy. This can be largely achieved from our own resources, both primary and secondary, provided there are associated with this development wise policies and an inflow of capital equipment and capital from other sources.

Where are these other essentials to come from? As a member nation of the British Commonwealth, Australia is vitally interested in securing the maximum of her requirements from Great Britain. On the other hand, Great Britain, it is assumed, is even more interested in securing this rapidly expanding market for her products in Australia. Despite much loose talk and panic statements from time to time, the plain fact is that there is no more stable area for investment than Australia. In the 174 years of her existence, first as separate colonies, and later as a Commonwealth, she has never defaulted. Nor is there any reason to believe that she will default. The door of opportunity is wide open before us both, i.e. the door of opportunity to Australia to make good her right and title to continue to occupy this continent as a free nation, and the door of opportunity to Great Britain to pour through that door the things that will at once strengthen her own economy and build for her own succour in time of danger that which has always been readily and willingly given, men, money and materials from Australia.

The achievement of these mutually advantageous ends should not be outside the capacity of the statesmen of Great Britain and Australia.

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UNITED KINGDOM

HER LATE MAJESTY QUEEN MARY

THE news of Queen Mary's death reached the House of Commons some half-hour or more before it was publicly divulged. On the evening of Tuesday, March 24, the House was engaged on the concluding stages of what had necessarily been a somewhat controversial debate on Central African Federation. Mr. Henry Hopkinson, Minister of State for Colonial Affairs, had just begun his winding-up speech, and Government supporters were preparing to afford him lusty vocal support, when the news was passed down the benches that Queen Mary had passed away and that any demonstrations either of enthusiasm or anger should be suppressed for the remainder of the debate. After the division figures were announced, Mr. Churchill rose to make his sad announcement and there was an audible cry of distress from at least one occupant of the public gallery.

The many tributes to Queen Mary which appeared in the press during the subsequent week did full justice to the memory of a great and gracious Queen Consort. It is fair to say that Queen Mary possessed in the fullest measure every quality which the British public most respects in a member of the Royal Family.

First and foremost, writers paid tribute to her unflinching sense of public duty. Even in her old age she rose early every morning and regarded it as her first task to attend scrupulously to her private correspondence. If she was sometimes exacting in the standards of punctuality and efficiency which she looked for in others, it could be said without fear of exaggeration that she always imposed a yet higher standard on herself.

Next to her sense of public duty, all those who knew her dwelt most upon her personal courage. She had borne with fortitude the loss of three of her five sons during her lifetime, while the tragedy of the Duke of Windsor must have proved a hardly less severe blow. Yet she remained ever serene and self-possessed, and Mr. Walter Elliot did well to remind the House of Commons of how, when she received the Privy Councillors who brought to her a message of condolence from the House of Commons on the occasion of the death of George VI, she bade them look towards the future and expressed the confident hope that the prospects for Great Britain and the world might brighten with the accession of the young Queen Elizabeth.

But it was not only Queen Mary's sense of public duty and her dignity and her unflinching courage which so warmly commended her to her people. Writers also laid stress on her unflinching kindness, which revealed itself in so many varied ways. For example, a former Minister of the Crown described how Queen Mary had sent gifts of fruit and flowers to his wife when she was in hospital, and nurses described how she had visited children suffering from incurable illnesses who had expressed a special desire to see her. She was, besides, a woman of great taste, with expert knowledge of such things

as furniture and *objets d'art*; and those who served her never ceased to be impressed by her intimate and exact knowledge of the contents of the Royal homes in which she resided. It was altogether typical of her that she should have made her own contribution towards earning dollars for the sterling area by allowing a carpet which she herself had worked to be sold across the Atlantic.

Queen Mary would have been proud to see her granddaughter crowned in June. She at least had the consolation of knowing before she died how greatly Queen Elizabeth had already established herself in the hearts of her people.

A Significant Change in Budgetary Policy

EVERYONE had hoped that Mr. Butler, the Chancellor of the Exchequer, in his second Budget would be able to make a substantial reduction in the burden of taxation, despite the mounting expenditure on defence. But very few people had expected that he would be able to give away so much as £169 million in tax reliefs, without making further large cuts in the food subsidies, and without embarking on any large reductions in government civil expenditure which amounted to major changes of policy.

Mr. Butler has been able to afford these substantial tax reliefs because he has aimed at a very much smaller revenue surplus than he budgeted for last year. This amounts to a major departure in the sphere of public finance. Ever since the late Lord Keynes wrote his *Treatise on Money* more than twenty years ago, the view has gained prevalence among economists that a government should so order its budgetary and monetary policy that the total volume of savings, made by private individuals and corporate industry, should be kept in the closest possible balance with the total volume of investment undertaken by private and public authorities. On this theory, if the volume of savings tended to be in excess of the volume of investment, unemployment was bound to rise, and indeed it has long been claimed by Lord Keynes's disciples that major depressions have always begun with a falling-off in the demand for capital goods. It was likewise argued that, if capital investment outran the volume of savings, the inevitable consequence was inflation and balance-of-payments difficulties, and many people have claimed that Britain's 1947 balance-of-payments crisis arose very largely from a more ambitious programme of industrial re-equipment than the country could afford at that time. Lord Keynes's theories, while they have wielded enormous influence, are certainly not above criticism in certain respects. For example Professor Pigou has argued that Keynes fell into the error (repeated by many contemporary economists) of supposing that it was possible to take a still-life photograph of an economy at any given moment; in other words, Keynes did not seem sufficiently to realize that the most any economist can safely do is to offer some guidance on trends and tendencies. Again, that wise economist, the late Sir Hubert Henderson, was certainly justified in his criticism of Keynes for having encouraged the habit of imagining that Britain's internal financial policy, and her overseas balance of payments, were two entirely separate questions, whereas in practice they interact very closely on one another. But with these reservations—and there are many more which

could be added—the Keynesian theory of public finance has come to be accepted as orthodox by British economists and politicians of all parties or none.

The Cripps Tradition

BUT ever since Sir Stafford Cripps became Chancellor of the Exchequer, he and his successors have remained faithful to a new budgetary principle, which goes far beyond anything which Keynes ever advocated. Sir Stafford Cripps succeeded Dr. Dalton shortly after the 1947 dollar crisis, and he was very well aware that the 1947 crisis had been caused, at least in part, by inflation in Britain's own internal economy. In his 1948 Budget speech Cripps laid down two principles which have held sway until Mr. Butler's Budget of this year: first, that the best way to ensure an adequate volume of savings was by means of a large revenue surplus obtained through a near-war-time level of taxation, and secondly that this revenue surplus should be at least big enough to cover "below-the-line" expenditure on loan items, notably local authority housing. These principles have not gone unchallenged in the intervening years. It is only fair to say that some of the arguments brought against them have been misconceived. For instance, many people have supposed that if below-the-line expenditure were reduced by forcing the larger local authorities to have recourse to the market, taxation could be reduced by a corresponding amount; this ignores the obvious point that you do not increase the total volume of savings simply through financing local authority housing by a different means. There is quite a good deal to be said, on other grounds, for denying to the larger local authorities the facilities of the Public Works Loans Board, but it is impossible to finance a large-scale reduction of taxation by a change of policy which is essentially a matter of book-keeping. Again, it is facile to suppose that the Government rendered a Budget surplus unnecessary simply by the fact of raising Bank rate to 4 per cent. The object of a Budget surplus, as Sir Stafford Cripps so clearly explained, was to secure an adequate volume of forced savings; whereas the object of raising the Bank rate was rather to ensure that the volume of investment did not outrun the volume of savings available. The argument for a large revenue surplus was unassailable so long as the Chancellor of the Exchequer accepted the basic principle that it was necessary to force people to save by means of high taxation, and that it was no use relying on private savings to do his work for him.

During these last few years, the disadvantages of the Crippsian policy have become ever more apparent. In particular, it has proved self-stultifying, in that many people have had to spend capital in order to pay those taxes which the Chancellor of the Exchequer regarded as essential in order to secure an adequate volume of saving. But during the Financial Year 1952-3 the case for a large revenue surplus was entirely disproved by events, and most people will agree that this is by far the most satisfactory means of refuting any abstract argument. In his Budget of 1952, Mr. Butler aimed at a revenue surplus of some £510 million. As the result of a heavy Exchequer deficit, this surplus turned out in practice to be only £88 million. If Sir Stafford

Cripps's theory had been right, an Exchequer deficit of this magnitude ought to have been accompanied by an insufficiency of savings, and a very heavy increase of inflationary pressure. In actual fact, nothing of the kind happened, and the Economic Survey for 1953 has been able to make the proud and justified claim that "total demand is no longer excessive". The reason for this is perfectly simple; the heavy Exchequer deficit was balanced by a very large increase in the volume of industrial savings. The sum total of net undistributed company profits, which had fallen by £298 million in 1951, rose by £581 million in 1952. Incidentally there can be little doubt that the fall in industrial savings in 1951 was one of the contributory causes of Britain's heavy balance-of-payments deficit in that year; in other words, investment in British industry in 1951 (it is a regrettable reflection) was largely financed at the expense of those with whom we traded. The greatly increased volume of undistributed profits for 1952 arose directly from the fact that inflation was at last being curbed, partly as the result of more favourable terms of trade, and partly because of the Government's policy of higher interest rates. The curbing of inflation helped industry, not only by lowering replacement costs, but also by ending a state of affairs in which gross undistributed profits were artificially swollen through the enhanced value of stocks, which was due solely to rising prices.

The Main Objects of the Budget

HAVING decided that he could afford to give away £169 million, Mr. Butler planned his Budget with three main objects in view. First and foremost he aimed to reduce the very severe burden of taxation on corporate industry. In this respect, Mr. Butler's Budget contained four major provisions: first, the reduction of 6*d.* in the standard rate of income tax, which represented a relief of £45 million on the undistributed profits of companies; secondly, the general reduction of 25 per cent in rates of purchase tax; thirdly, the reintroduction of the initial allowances for capital expenditure on plant and machinery; and fourthly the abolition of the Excess Profits Levy with effect from January 1, 1954. A considerable number of financial journalists, in the months preceding the Budget, had thrown doubt on the wisdom of reducing the standard rate of income tax, on the grounds that such a reduction was more likely to lead to an increase in consumption than in savings, and had suggested that the Chancellor of the Exchequer should content himself with reducing or eliminating the lower rate of profits tax on company profits put to reserve. These journalists rather overlooked the important point that more than half the relief represented by the reduction in the standard rate would in fact go to corporate industry rather than to individuals, and in any case Mr. Butler was justified in claiming that such a reduction constituted the "classical method" of lessening "the numbing effect of excessive direct taxation." With regard to the reduction in purchase tax, Mr. Butler left the House of Commons in no doubt that he regards this tax, in principle, as thoroughly unsound:

It is doing damage (he said) to home trade, to skill, craftsmanship and tradition, and above all, is reacting adversely on our all-important export trade.

The abolition of the Excess Profits Levy, and the reintroduction of the initial allowances, will cost the Exchequer nothing this year, but they will cost between them £150 million for the financial year 1954-55. The restoration of the initial allowances should prove of real benefit to productive industry (it is especially welcome that an allowance of 40 per cent is to be allowed for mining works such as pit shafts and oil wells), while the Excess Profits Levy has lacked a single friend ever since it was first so mistakenly introduced—it went far beyond anything entailed in the Conservative Election Manifesto.

Mr. Butler's second main object was to encourage demand, in order to ensure the maintenance of a high and stable level of employment. This is an "incentive" Budget, not only because it promises extra reward for extra effort, but also because it has been designed to promote a level of demand sufficient to utilize Britain's productive resources to the full. It is impossible to arrive at a just estimate of Mr. Butler's policy, unless one realizes what enormous importance he attaches to maintaining the present volume of employment. For example, it was wholly characteristic that he should have gone out of his way—when winding up the Budget debate—to express the opinion (probably false) that a more disinflationary Budget in 1952, as advocated in *The Economist*, would have resulted in 1 million unemployed by the end of the year. The Socialist charge, in the General Election of February 1950, that Conservatism would mean large-scale unemployment, seems to have affected Mr. Butler very deeply, and one cannot help suspecting that he regards strictures on Conservative economic policy in the 1930's as more or less justified.

Thirdly, Mr. Butler was determined to introduce a Budget which kept the cost of living steady, and this was the reason why he did not embark upon any further large-scale reduction of the food subsidies. The release of eggs and of cereals from rationing had meant that the level of food subsidies was already lower than that originally planned for the end of the Financial Year 1952-53, so that the *Daily Herald* really was completely inaccurate in its suggestion, on the basis of the figures in the Budget statement, that a further axe was going to be applied. The impending decision—which is very welcome—to release sugar from rationing, will mean the end of this particular subsidy, but it is far from certain that the end of rationing will be accompanied by any rise in price. Altogether the Budget will have a slight downward effect on prices, and in this respect it will very greatly strengthen the Chancellor of the Exchequer in his dealings with the Trade Union Congress.

Mr. Butler's Critics

IT remains to say a word about the criticisms to which the Budget has been subjected. The Labour Opposition in the House of Commons dwelt mainly on two points. First, they claimed that the Chancellor of the Exchequer was able to afford tax remissions on so generous a scale only because he had let the economy run into the state of stagnation. Almost every Labour speaker in the Budget debate dwelt on the falling rate of production last year, and Mr. Gaitskell went so far as to assert that it had been the expressed purpose of the Government's monetary policy to create "pessimism,

uncertainty, general worry and anxiety about future prospects". Whether the Government were seriously to blame for the falling rate of production may legitimately be doubted. This fall was mainly due to two causes: first, the textile recession, which was already gathering momentum in the late summer of 1951; and secondly, the steel shortage, which the Conservatives did their best to overcome by imposing a moratorium on all building, other than house-building, as soon as they assumed office. In any case, as the President of the Board of Trade pointed out, the production of iron and steel and of machine tools rose during the year. With regard to the effect of the Government's monetary policy, this is a subject on which no two economists seem to hold quite the same opinion; but there can be little doubt that the higher bank rate did help to check speculation against sterling, and to stem the drain on the gold and dollar reserves of the sterling area. In addition, the higher bank rate, by raising the cost of carrying stocks of goods against borrowed money, slowed down replacement orders and thus lessened the burden on Britain's heavy industries. It is also quite likely, as the Economic Secretary to the Treasury, Mr. Reginald Maudling, claimed, that the Government's disinflationary monetary measures intensified the degree to which the terms of trade turned in Britain's favour. What is demonstrably untrue is to say, as Mr. Gaitskell did, that the higher Bank rate was responsible for an increase in unemployment; actually unemployment fell by some 70,000 between April and December 1952. Throughout the course of the debate, it became ever more apparent that the real complaint of the Opposition was that Britain's economy no longer exhibited inflationary symptoms. A state of suppressed inflation, more or less held in check by an elaborate system of physical controls, is a far more promising seed-bed for the growth of a Socialist State than an economy in which total demand is no longer excessive, and sugar and steel are both off the ration.

The second main Opposition criticism concerned the decision to reduce the standard rate of income tax. By Socialist standards such a reduction, unaccompanied by any increase in surtax, is culpably "regressive" since it benefits the bachelor more than the married man, and unearned income more than earned income; Mr. Butler was able to point out in reply that if there were some millions who would benefit only very little, or not at all, from this tax reduction, that was because he had already substantially reduced their tax liability last year; and he made effective use of a quotation from Sir Stafford Cripps's 1948 Budget speech:

In the course of the last two years, we have, in fact, exempted very large classes of persons from payment of Income Tax, and they must now expect to see others get the benefits while they remain where they are—fully exempt from the tax.

When Socialists claim that Mr. Butler's Budget is "unfair" they are drawing attention to a very real division of opinion between the two main political parties in Britain. The Opposition regard high taxation, not merely as a necessary means of financing high government expenditure, but as a means of securing a more equal distribution of incomes, which they regard as a

good thing in itself. It was highly significant that the first reaction of the Socialists to the news that the Excess Profits Levy would be discontinued, was to inquire what new rate of profits tax the Government would impose to take its place. In their pursuit of egalitarianism, the Opposition do not shrink from incurring the charges of seeking to impose penalties on success, and of showing themselves more interested in the distribution of wealth than in its creation.

The House of Commons and Africa

WHATEVER the rights and wrongs of the policy of the present Government towards Africa, no one can complain that this subject is not discussed sufficiently often in the House of Commons. There have recently been no fewer than three debates on Central African Federation, two of them in one week: the Federal Scheme was fully debated on March 24; on May 4 the Opposition used a Supply Day in order to present their case that African petitions against the scheme should be referred to a Select Committee; and two days later, on March 6, the Rhodesian and Nyassaland Federation Bill received its Second Reading. As a result of these debates two general assertions can confidently be made; first that every Member of the House of Commons realizes the gravity of the issues involved, and secondly that, whereas the supporters of the Government are united behind the decision to go ahead with the scheme, the Labour party are not entirely united in opposing this decision. There were a number of important abstentions in the division at the close of the debate on March 24, including Mr. Gordon Walker, the former Secretary of State for Commonwealth Relations, and two other prominent Labour Ministers, Mr. Richard Stokes and Mr. George Brown.

The Government's case for going ahead in spite of African opposition has been based on three main arguments. First, there is the fundamental point that those Africans who oppose Federation are in reality opposed to the British ideal of equal partnership, and hanker after a "Gold Coast" solution in Central Africa. Secondly, the present Government recognizes that power is already in process of passing from Whitehall to Central Africa, and that it is impossible for a British Government to claim the moral right to dictate to Britain's own kith and kin in Rhodesia how they and their successors shall plan their lives for the future. Thirdly, the Government are convinced that, from the economic point of view alone, Federation is a necessity, and they recognize that the whole world has an interest in the establishment of conditions in Central Africa which favour administrative progress and economic advancement. There were many admirable speeches during the debates and none better than that of Mr. M. Philips Price, the senior and respected Labour Member for West Gloucestershire, who put the case for Federation in a manner which could not be improved on:

The task, surely, in Central Africa, where there is a white population who are largely the means of developing the country's wealth, side by side with a much more primitive type of African, is to advance the African without discouraging the European. It seems to me that federation is the only way in which a political solution can be found, provided the means are there for continual development

and the progressive abolition of racial inequality. The West African solution is impossible there yet, because things have not developed that far. Unfortunately, it seems that there are some leaders of African opinion who are ignorantly hankering after that now, and that is the cause of a great deal of the trouble which has developed. The Government are right not to follow these blind leaders of the blind, but to press on with federation. But let them always keep before their eyes the principle of equal opportunity for both races.

If this Bill goes through I hope that all sections of opinion in this country will combine to make it a success. On this issue we all have conflicting emotions. Let us strive to throw those emotions into the common pool for the good of Central Africa.

On Friday, May 1, the House of Commons "talked out" a motion by Mr. A. Fenner Brockway, calling on the Government "to introduce legislation with a view to the progressive elimination of the colour bar" throughout the British Colonies. The Colonial Secretary, Mr. Oliver Lyttelton, pointed out the difficulties involved in such a policy and claimed that, whereas it might be comparatively easy to legislate for the public service, it would be far more difficult to legislate effectively for industry without doing more harm than good, and quite impossible to render illegal the colour bar in social and private life. Nevertheless the debate showed that there was a wide measure of agreement among Members of the House of Commons of all parties on the importance of the progressive elimination of the colour bar, and Mr. C. J. M. Alport, one of the foremost speakers on African affairs on the Conservative side of the House, spoke for very many besides himself when he said:

Our intention is to continue, with the help of time and with the help of spiritual powers that are perhaps outside our understanding, to wrestle with a grave problem and to find a solution, not by legislation, but by an appeal and a change in the hearts of men.

Great Britain,
May 1953.

NORTHERN IRELAND

UNGRATEFUL as it may seem, Mr. Butler's bounty has evoked mixed feelings in Northern Ireland. The tax reliefs have been duly acclaimed as incentives to industry and personal saving, but the other side of the medal is that they are equally likely to hasten the day when so under-developed an area must have difficulty in supporting unaided the full range of services and benefits of the Welfare State. As this is written the Minister of Finance (Mr. W. B. Maginness, Q.C., was appointed in February to succeed the late Major J. Maynard Sinclair) has not introduced his own Budget and the total effect of the reduction in taxation, and the extent to which it may be offset by higher earnings and profits, is not ascertainable. But in expenditure the estimates for the Supply Services already show an increase of some £6 million over the provision for the last financial year, enough in itself to make a sharp inroad on the surplus of £20½ million represented by the Imperial Contribution. As revenue must fall both in the current year and in 1954-5, when the remissions will have their maximum value, the situation will be one in which

the candle is being burnt at both ends. To some the dangers of this process are most alarming, to others far enough off to be discounted, but they cannot fail to bring to the surface the doubts surrounding the present rate of economic expansion. Far more than their morale-building speeches would indicate, the leaders of the Unionist Party themselves are apprehensive of the future, even assuming that the level of world trade can be maintained.

The problem, essentially, is how Northern Ireland can pay for parity with Great Britain in its public services without grants from the Treasury, otherwise than under the agreement which assimilates the cost of the Health Service and those of the Social Services in which cash benefits are included. The task is the more formidable by reason of the fact that a wide margin of leeway has to be made up in housing, education, industrial development and public works, and that the Government is heavily committed to trying to save a bankrupt railway system and to promoting schemes for the relief of winter unemployment. It can be claimed, of course, that Northern Ireland, as an integral part of the United Kingdom, is not under an obligation to be wholly independent in money matters. But the importance of the Imperial Contribution is not to be judged by its size. Though at times it has been little more than a token sum it has always been budgeted for, and used to disprove any accusation that Ulster is in need of a subsidy. The motive is more than political: the point is one of honour that in pre-war years was observed at the sacrifice of some elements of parity.

All such arguments, however, are transcended by the duty laid on the Government and people of Northern Ireland to utilize their resources and raise their standard of living, and as this is necessary in the national as well as their own interest a hastening of the progress of economic development becomes by far the most urgent need. Nor is an unemployment ratio that for two years has been fluctuating between 8 and 12 per cent the only measure of the problem. It lies also in an annual increase in population of 6,000 persons of all ages and in the imminent rise in the numbers of children leaving school and entering the labour market, the products of the high birth-rate of the war years. Emigration, though increasing fast, cannot be more than a palliative; there is no alternative to the creation of more employment and higher earning power. At this point there is encountered the hard centre of Northern Ireland's predicament, how it can compete with the rest of the country while bearing shipping charges on both its materials and its finished goods. In the hey-day of the Province such charges were met by a wage differential; today parity also embraces wage standards. It is factors like these that explain much of the present under-investment and the limited success of the campaign to attract industrialists from outside. The Government, notably in the Re-equipment of Industry Act, a direct subsidy in all but name, has gone to extreme lengths to stimulate efficiency in existing factories, and, through the Industries Development Acts, to foster new ones. But it has cause to be disappointed with the efforts of business interests at home to meet the challenge of the hour. Possibly the most disquieting knowledge of all is that the spirit of native enterprise on which modern Ulster is founded has declined. Leadership in this field has reached a low ebb, and without it workers cannot be

inspired to that extra endeavour which must be forthcoming before Northern Ireland can overtake the material state of the rest of the kingdom.

Meanwhile the realities of the case have given rise to some radical proposals for revising the financial relationship. The most advanced of these has its origin in a long-neglected section of the Government of Ireland Act which gives the Parliament of Northern Ireland the surprising power to grant relief from income tax and super tax (both levied at Westminster), to persons domiciled in its own area. This is thought to have been enacted to cover such an eventuality as an excessive Budget surplus, and is now invoked on the reasoning that a reduction of 6*d.* or 1*s.* in the rates of such taxes would be followed by an influx of businesses anxious to escape the weight of taxation elsewhere. The section says nothing about making good such relief, but the principles now in force leave no doubt that they would have to be paid for from other sources or by the acceptance of a lower scale of expenditure on local services. Advocates of the use of this right hold that savings could be made outside the cash Social Services, but they have failed to be more specific. They are met, too, with the practical objections that even a margin of 1*s.* in the rate of tax might not be enough to achieve its object, and that no promise could be given that it would be a permanent advantage. Above all, unilateral action of this kind would not only be inconsistent with the ideal of sharing fully in the duties and burdens of United Kingdom citizenship but would violate the principle of equal services for equal taxation which is the final guarantee of Northern Ireland's welfare in good times and bad. Nevertheless, the fact that such unconventional remedies are being debated is evidence of the gravity of the difficulties facing an area of devolutionary government which has set itself the objective of maintaining parity with its parent and neighbour.

Northern Ireland,
April 1953.

Postscript: The Budget on May 5 confirmed the fears of the onset of a crisis. With revenue lower by £5,628,000, Mr. Maginness estimated the Imperial contribution as no more than £8,600,000, and spoke of the reaching of a stage at which it behoved Northern Ireland "to stop and think".

IRELAND

THE NEGLECTED INDUSTRY

ONE hundred years ago a great Irishman, John Mitchel, warned our people that "mere appeals to the public to encourage native industry in other departments must be utterly futile so long as the great and paramount industry of the farmer is neglected". Unfortunately this fundamental truth has been consistently ignored during the thirty years which have elapsed since the establishment of the Irish State. The preponderance of town-bred politicians in our various governments, the bitter party feuds engendered by the criminal Civil War, the desire to follow the somewhat confused protectionist policy of Arthur Griffith (founder of Sinn Féin) and therefore to develop manufacturing industries quickly, and last but not least the lack of education, organization and enterprise amongst the farmers themselves, have alike contributed to create this unhappy situation. While agriculture, our main industry, has thus been neglected, a number of relatively small and often unsuitable industries have been developed behind a formidable barrier of tariffs, quotas and controls. For this policy our primary producers, the farmers, have had to pay through the increased price of consumer goods. It is significant that our Ministers of Industry and Commerce have invariably been recruited from the ablest and most dynamic politicians while, with few exceptions, the Ministers for Agriculture have for the most part been amiable and unenterprising nonentities. Prosperity in agriculture, as in other industries, is based on increased production, and our agricultural production has remained static for a hundred years. Compared with other European countries of like size such as Denmark, Holland and Belgium, all of which be it remembered have recently suffered the ravages of war, our agricultural industry is incredibly unproductive and inefficient. Denmark, for example, which is little more than half the size of the Irish Republic, produces 25 million tons of crops to our 7 million. We have the most fertile soil in Europe. There is enough arable land in the Republic to provide for our human and livestock food requirements and still leave about 10 million acres for grazing. Yet we spend large sums on imported foodstuffs and are even importing butter from New Zealand. Unofficial savings banks and agricultural credit societies in Denmark provide Danish farmers with long-term loans of £177 million while our government-controlled savings banks lend some £36 million to the British Government for British development schemes, and our Agricultural Credit Corporation lends the farmers less than £2 million. Agricultural education in the Danish sense, whether adult or vocational, can hardly be said to exist here. Soil research and land reclamation are only in their infancy. The result has naturally been low production and high prices coupled with a disastrous flight from the land.

The official neglect of agriculture has, moreover, been aggravated by harmful interference. Instead of scientifically developing the yield of the dairy

cow, as the Danes and New Zealanders have so successfully done, our Department of Agriculture has for half a century sponsored an inefficient cattle-breeding policy which aimed at producing a dual-purpose cow—supposed to be suitable alike for beef and dairy purposes, but which in fact has failed to achieve either purpose. The consequent low yield of our dairy herds, coupled with inefficient marketing and the rise in milk production costs, was the real reason for the recent strike of milk producers in Dublin and Cork. The stoppage of milk supplies lasted for sixteen days and caused much inconvenience to the public. It brought to a head the long-standing dispute between the Government and the farmers concerning the price of milk. The milk producers complained that while the cost of feeding-stuffs has risen since 1948 by 50 per cent and wages by 39 per cent the Government, during the same period, has only permitted an increase of 9 per cent in the price of milk, and that efforts to secure redress had been so long evaded that they were compelled to take drastic action. The Government sought to meet the situation by providing an inadequate supply of reconstituted milk. Members of the milk producers' organization were prosecuted for picketing and several ugly incidents took place. After some abortive attempts to settle the dispute Mr. de Valera informed the Dáil on February 4 that the Government had taken its stand against the producers' demand in the interests of the community and to maintain its position as arbiter in such matters. "The moment the people who are putting a pistol to the head of the Government give up doing so", he said, "we can proceed with the consideration of the matter." This was a clear hint that something would be done at last, and on February 10 the Milk Producers' Association ended the stoppage of supplies, claiming that the strike had "demonstrated the unity of the farmers and their ability to act in support of their just claims". On March 2 the Government announced a permitted increase in the retail price of butter from 3s. 10d. to 4s. 2d. per lb. which entails an increase of between 1½d. and 2d. a gallon in the price of milk. The consumers' organization has protested vehemently against this step and has demanded a public inquiry. The net result of all the commotion is that the milk producers have got their increase but the problems of the efficient production and marketing of milk, which are the root of the matter, remain unsolved.

The Government's Difficulties

IT is all to the good that it is at last officially admitted that increased agricultural production is the only solution of our economic plight. How to achieve this desirable end is, however, not so clear. On the day the milk strike ended Mr. de Valera told the Dáil that increased agricultural production was the only way to meet increased taxation and better social services. He attributed the increased and "disturbing" unemployment to the stockpiling of materials bought at high prices on the outbreak of the Korean war, and stated that recent protective measures had been taken by the Government to restore the position. It was not, he said, a condition peculiar to this country and was not the result of the Government's financial policy as the Opposition alleged. Speaking to an agricultural conference on January 23 he

renewed his now familiar, if ineffective, appeal for more tillage and suggested that the farmers might more profitably invest their savings in the purchase of fertilizers than by leaving them on deposit in the banks. An increased yield was the remedy for rising costs. Mr. Childers, the Minister for Posts and Telegraphs, has recently stated that the Government is comprehensively and fundamentally reviewing its whole agricultural policy in order to obtain more production. He added with truth that all parties were responsible for the delay which has taken place in dealing with this vital matter and that we must forget the past and advance together. It is perhaps too much to hope that this presages an agreed national policy as regards agriculture. The Government is also examining projects for the development of agricultural education and research. No doubt the American Government is beginning to wonder when the E.C.A. Fund of £4 million, which was specially set aside for this purpose, is going to be spent. But our Government's problems are not solely agricultural. The civil servants are incensed at the Government's refusal to grant the increase of approximately 12s. a week awarded to them by the Civil Service Arbitration Board and have held protest meetings in Dublin and Cork. The Government's attitude to its employees is that it can give no undertaking to pay this increase until the national financial position justifies the expenditure. At the moment it looks as if the Minister for Finance will have a substantial deficit to meet when he presents his budget in a few weeks' time.

The Health Bill

THE Government's dispute with the medical profession concerning the Health Bill is also coming to a head. The second edition of this long-delayed and highly controversial measure was presented to the Dáil at the end of February. It duly received its second reading by a substantial majority, the Opposition being "willing to wound but yet afraid to strike". The Fine Gael party, however, subsequently mustered up sufficient courage to vote against the financial resolution. The Bill is in fact a rather shamefaced attempt to satisfy the conflicting views of the Catholic Hierarchy, the medical profession and Dr. Noel Browne, T.D., the former Minister for Health, whose courageous if rash attempt to introduce a mother-and-child welfare scheme without a means test led to the sorry fall of Mr. Costello's inter-party Government. Like all such attempts at compromise it really pleases no one and for that reason will probably need some amendment before it becomes law. Although no means test was mentioned in the explanatory White Paper which preceded the Bill, the Bill itself provides that families whose income is over £600 a year must pay a token sum of £1 a year in order to qualify for participation in the mother-and-child benefits. Moreover, this service is only available for six weeks and not for six years as provided by Dr. Browne. The Bill establishes full medical benefits, including institutional and specialist services, for all families who are entitled to public assistance. Other specified persons—namely, small farmers and those who are State insured, or who earn less than £600 a year—may obtain hospital treatment at a charge varying according to their means, but in no case exceeding 2 guineas a week. Mr.

de Valera has apparently met, or parried, the objections of the Hierarchy. Father Edward Coyne, S.J., who is the recognized Jesuit spokesman on social questions and may be assumed to write with authority, has welcomed the Bill and stated that it forms "a sound and reasonable basis for discussion".* Father Coyne also expresses approval of the British method of solving the vexed problem of doctor-patient relationship. During the debate Dr. Ryan, the Minister for Health, stated that the Government was prepared to accept as far as possible amendments suggested by the Hierarchy. Dr. Browne has likewise congratulated Dr. Ryan on having adhered to the main principles of the White Paper. In Dr. Browne's view the most important thing is that under the Bill in respect of all mothers and children up to the age of six weeks there will be no money transaction whatever between doctor and patient. But the doctors remain obdurate and the Irish Medical Association has unanimously decided that it will refuse to work the measure if it becomes law. The Bill specifically provides that no one shall be compelled to avail himself of any service it provides or to subject himself to any examination or treatment. The additional services contemplated will cost at least £2 million per year.

Dr. Ryan stated in the Dáil on April 24 that the Catholic Hierarchy had asked that the greatest possible freedom should be given as regards the choice of a doctor or hospital and that no one should be obliged to accept treatment contrary to his religious belief. The Government, he said, would meet these requests so far as possible.

The Opposition's Plight

ALTHOUGH the position of the Government, faced with these serious difficulties and depending on a slender majority of Independent votes, is far from secure, their opponents are not exactly happy. Mr. Costello, the leader of the heterogeneous Opposition, has recently taunted the Government with being in office but not in power. Yet if the Government is defeated he may well find himself in a similar position. His party, Fine Gael, has no chance of obtaining a clear majority and the only possible alternative government to that of Mr. de Valera would seem to be a combination of Fine Gael and Labour backed by such of the splinter groups as may survive. The Labour Party is at present precluded from entering into such an alliance without the consent of a party conference, but no doubt this would be forthcoming on the basis of an agreed approach to present problems. It is highly diverting to watch the radical capers of the one-time conservative Fine Gael leaders, but after their *volte-face* on the Republican question anything is possible. Their reactions to the milk strike and Health Bill controversies were cautious in the extreme, for they now realize that Mr. de Valera is most dangerous when he brings gifts. Mr. Costello's declarations of policy indicate that he is a barrister speaking from a brief prepared by conflicting experts rather than a statesman formulating a policy. He has, however, shown that he realizes the necessity for the investment of foreign capital here and for the

* *Studies*, March 1953.

repeal or amendment of the present absurd and pernicious restrictions. Two by-elections are pending, the results of which may seriously affect the present precarious political situation.

A Diplomatic Sensation

AN interesting diplomatic situation has arisen in Dublin. On February 17 Mr. Paul Blanshard, an American author, filed a petition at the American Embassy asking for the revocation of the American citizenship of the Papal Nuncio, the Most Rev. Dr. Gerald P. O'Hara, on the grounds that he is "serving as the diplomatist of a foreign power", thus violating the famous McCarran Act which prohibits an American citizen "from performing the duties of any office, post or employment under the Government of a foreign state requiring an oath of allegiance". Dr. O'Hara, who is a native of Pennsylvania of Irish parentage, carries both an American and a Vatican diplomatic passport. He is Archbishop of Savannah, Georgia, and after having acted as papal representative in Rumania came to Ireland last year as Nuncio. Mr. Blanshard is the author of two recent American best-sellers attacking the power and policy of the Catholic Church and has been in Ireland for some months writing a book about Irish affairs. He previously held civic and government appointments in America. Although both the State Department and the Vatican have indignantly denied that there is any substance in Mr. Blanshard's contention, it seems reasonably clear that he has found a loophole in the McCarran Act never contemplated by its patriotic Catholic parent. Some rectification of the position will probably be necessary in order to avoid serious repercussions. In the meantime both the Nuncio and Mr. Blanshard have returned to the United States, if not with the same object, presumably on the same business.

The Tóstal

THE Tóstal, or Festival of Ireland, was inaugurated with due pomp and ceremony at the commencement of April. The time was in effect fixed by the various passenger-carrying concerns who were not prepared to consider a later date. Unfortunately, neither the weather nor the number of visitors has been up to expectations, but it has certainly increased our civic pride, enlarged our field of entertainment, and improved the appearance of our cities and towns where cleaning and decoration were much needed. The extension of the tourist season, which was the primary objective of the promoters, could hardly be secured at the first attempt. If it has succeeded in making us tourist-minded, the time and trouble involved will not have been altogether in vain.

Ireland,

May 1953.

INDIA

THE DEBATE ON FOREIGN POLICY

MR. Nehru has said that the Indian Parliament spends more time discussing foreign affairs than any other parliament in the world. Perhaps the central legislature of a federation can afford to devote more attention to external relations than the legislature of a unitary State; in India, for example, the provincial governments are left to look after the everyday problems of health, education and economic development. But there is more to it than that. Some of the passionate interest in foreign affairs displayed by politicians in Delhi is explained by the fact that the field is entirely new to them, and after centuries of obligatory engrossment with more parochial matters the high destiny of world powers has an irresistible fascination. Further, the international conditions under which India has assumed her independence are very different from what was expected, and some of the alliances the National Government has made—the Commonwealth association, for example—need a lot of explaining to some people. Perhaps most important is the nature of the parties making up the Opposition in the House of the People—the Communists and the communalists. The Communists' interest in international affairs requires no elaboration; as long as they draw ideological sustenance from a foreign Power which is closely involved in the world struggle for domination, their attention to foreign relations will be unremitting. The communalist parties, though they would vehemently deny this, subtly exploit anti-Muslim sentiment; and in practice the safest way to do so is to decry the unjust dealings of Pakistan and the timidity of an Indian Government that does not use sufficiently resolute methods to meet them. The Communists roughly agree with the Congress in its approach to Pakistan, while the communalists generally accept the modified neutrality of India in the East-West struggle—if anything, they would like a more avowedly anti-Communist policy. There is ample material here for lengthy discussions of international problems.

If the Opposition parties' views on external affairs are determined in this way, what decides the Congress line? Many Indians would answer simply, Mr. Nehru. The Prime (and Foreign) Minister lately rebuked them for thinking so. India's foreign policy, he said, is not spun "out of my head, or anyone else's head". It was, he added, "an inevitable policy" which has grown naturally from past history and present necessities. And no doubt that is largely true, although Mr. Nehru is able to give India's policy some very individual touches—like his repetitive praise of China's achievements (mostly unspecified), his fulsome grief at Mr. Stalin's death, his vigilant suspicion of British policy in Africa, his statesmanlike patience with Pakistan and with the European Powers who retain enclaves in the Indian subcontinent, and his defence of the Commonwealth link. It may surprise people abroad that the last-named is still a subject of debate. After all, India has been in the

Commonwealth of her own free will for some years and no harm has been shown to come of it; on the contrary, much good has come of it in the shape of assistance under the Colombo Plan from countries like Canada, Australia and New Zealand, not to mention the much less publicized benefits of ready access to Whitehall. But every time someone recalls that Dr. Malan is also a Commonwealth leader, that Pakistan is an equal member, or even when a visitor, like Mr. Attlee, refers to the *British* Commonwealth, old wounds are reopened and Mr. Nehru has to repeat his now familiar defence. That defence is satirized in one prominent London paper as meaning that the Commonwealth is a convenience, which requires no obligations to be discharged, and as long as the benefits all flow in one direction India would be foolish to quit. It does sound rather like that, but Indian opinion is not yet ripe to accept any more general description of the Commonwealth's functions.

Reference was made in the last dispatch* to Indian excitement about a supposed invitation to Pakistan to join a Middle East Defence Organization. It was never demonstrated that there was such an invitation, but Mr. Nehru's violent language on the subject suggested that he was quite sure the matter had been discussed somewhere. The unanimous disapproval voiced in India was months in settling, but now that the incident is over a few people have drawn what should be the most obvious conclusion. Why should this question arouse such furious indignation in neutral India? Mr. Nehru's reply that a Middle East Defence Organization that included Pakistan would bring the cold war to the borders of India does not bear examination. For the cold war is already at India's doorstep—in Burma, in Tibet, in China and perhaps even now in Nepal. The instant response to the suggestion that Pakistan join MEDO concealed recognition of the fact that defence problems must be handled jointly by India and Pakistan, and for the latter country to adhere to a powerful defence association from which India was excluded on ideological grounds would close the door to future co-operation. If the unity of Indian and Pakistani interests in defence can be recognized when one wants to line up with other Powers, why cannot it be recognized in a cooler moment, thus leading on to discussions of joint defence? Thus it was not surprising that the suggestion of joint defence was brought up in the budget session of the Indian Parliament lately—admittedly only to encounter strong opposition, not least in the form of the cogent argument that as long as Kashmir is a point at issue India and Pakistan are military enemies not allies. The notion is premature, but more will certainly be heard of it. The Indian Finance Minister has already agreed that the two countries must bring the current arms race to an end in the interests of their economies.

Trade Pact with Pakistan

THERE has been a *détente* in relations with Pakistan since the spring, though further progress was thrown in doubt by the palace revolution in Pakistan which unseated Khwaja Nazimuddin just after he had agreed to meet Mr. Nehru to discuss all outstanding issues. However, Nazimuddin's successor, Mohammed Ali, lost no time in making clear that he would con-

* See THE ROUND TABLE, No. 170, March 1953, p. 171.

tinue a policy which aimed at the renewal of friendship with India. The trade pact on the exchange of jute and coal was the most substantial part of the improvement. Its importance should not be underestimated, since jute is Pakistan's principal export and jute goods are India's; a three-year pact such as was signed on March 20 governing trade in jute between the two Bengals was essential to the further planning of commercial policy. The jute dispute seemed to have reached a complete impasse and had been referred to an international organization, GATT, for settlement—whence it was passed back for direct negotiation. It was then settled in a matter of days, after years of fruitless wrangling, to the entire satisfaction of both sides. The analogy with several other Indo-Pakistani differences is plain. Talks on a general trade pact, covering all other commodities and running for some years, have been scheduled for June and there is every hope that the outcome will be no less successful.

Flirting with the Socialists

THE Congress is so overwhelmingly the dominant power in Indian politics that one would expect that approaches from smaller parties for coalition or co-operation would be rejected out of hand. So they probably would be if Mr. Nehru the Socialist felt more at home with Mr. Nehru the Congress leader. But the Prime Minister evidently has twinges of conscience about the right wing of his party and, remembering his doctrinaire past on the left, is willing to enter into long discussions with the Praja Socialist Party about possible techniques of co-operation. These negotiations are watched with frank dismay by a substantial section of his party who see no point in wooing, or even being wooed by, a minor party which sustained decisive defeat at the elections and has so far shown no change of opinions. They were greatly relieved when the long correspondence between Mr. Nehru and Mr. Jai Prakash Narain, the Socialist leader, ended in failure to agree—but there have been signs since that Mr. Nehru is willing to begin all over again. The least that can be said of this flirtation is that it will confuse the Indian voter who likes to know what he is voting for when he supports the Congress. The demands that Mr. Narain put forward in his letters to the Prime Minister (surely with no hope of their acceptance) were: immediate amendment of the Constitution, abolition of the *zamindari* system of landlordism without payment of compensation, more economic controls and State trading, nationalization of banking and insurance, expropriation of the "foreign-dominated coal industry", revision of the whole administrative structure and repudiation of guarantees to the Princes. Mr. Nehru personally accepts much of this approach but the rest of the Congress does not, although there is general agreement between Congress and the Socialists on the objective of a Welfare State. It has been suggested that the Prime Minister is anxious to bring Mr. Narain back to the Congress fold in order to groom him for the succession. This suspicion must be deeply wounding to Mr. Nehru's Congress lieutenants, and in any case the anxiety with which he seeks the assistance of the Socialists implies criticism of the people he is working with now. The Finance Minister has stated unequivocally that there

will be no nationalization of banking and insurance, and he has expressed the opinion that Socialism "will not work in India", any more than Communism would. To resume parleys with Mr. Narain at this stage would therefore cause hopeless confusion, but as long as Mr. Nehru is as worried as he now seems to be about communalism it is not to be ruled out.

Social and Moral Reform

MEANWHILE the struggle against reaction continues on other fronts. The Government has promised an enquiry into and vigorous action against the survival of suttee, the practice by which Hindu widows "consent" to be burned along with their deceased husbands. It is stated that there have only been about three or four cases since 1948, though it is unofficially believed that the practice is more common than that in Rajasthan and elsewhere. Legislation is also promised against untouchability, although when Dr. Malan suggested last year that untouchability was still a problem in India he was informed with some vigour that untouchability had been proscribed in the Indian Constitution and therefore no longer existed. In fact of course it does. Many States have explicit legislation against it, but it survives in a hundred subtle ways which the law cannot readily put down. These campaigns are only mopping-up operations of course, for all the more objectionable religious customs have waned very quickly under the influence of the reform of manners in this century.

A much more serious moral campaign is that against corruption, particularly in the administration. Incidentally the revelation of the extent to which corruption and irregularity affect the working of the State is relevant to discussions on whether Socialism "will work" in India. Perhaps we should emphasize the revelation and not the corruption, for it is the consciousness of the evil that has grown in recent months, not the evil itself. When the only non-Congress Ministry in India was dismissed in PEPSU (the Patiala and East Punjab States Union) in March, the Prime Minister said: "During the last forty years or so of my public life I do not know of anything so disgraceful and so degrading as these recent happenings in PEPSU." There are other States of the Union where roughly similar strictures would apply. Shortly after this came a report by the Public Accounts Committee on the grave irregularities in the construction of the Hirakud Dam, which is one of the main development projects of the five-year plan; the report described an astonishing sequence of fraud and laxity which the Government has undertaken to put right. There have been sundry other scandals, especially in the purchase of foreign stores and defence materials, and a former leading public servant in a Central Ministry lately faced an enquiry into the exercise of undue favour when allocating import permits; other civil servants will be on trial in coming months. An unofficial Bill to allow investigation into the private finances and property of all public servants was defeated in Parliament recently, but only after the Congress Party had been split on the measure.

India,

May 1953.

PAKISTAN

DISMISSAL OF THE GOVERNMENT

HIS Excellency, Mr. Ghulam Mohammad, the Governor General of Pakistan, had for some time past been known to be a very sick man. Those who attended the annual conference of the Associated Chambers of Commerce of Pakistan, at which he was the guest of honour, noticed that he was suffering from evident weakness and even had difficulty in articulating clearly. Nevertheless, he certainly succeeded in making his voice heard on April 17, when he coolly informed Khwaja Nazimuddin and the assembled members of his Cabinet that he was dismissing them in exercise of his powers under section 10 of the Government of India Act as adapted for Pakistan. This was indeed a bold and decisive step. Though it was hardly in accordance with the spirit of the constitution the public throughout Pakistan hailed it with relief. The morale of the country under the existing Government had fallen to a very low ebb and there were many who feared that Pakistan was drifting rapidly towards disruption and collapse. The action of the Governor General provided practically the only alternative to a *coup d'état*, having regard to the fact that the Nazimuddin Government still commanded a comfortable majority in the Constituent Assembly.

It is necessary to look back over the previous two months if the background to the change of government is to be appreciated. The report of the Basic Principles Committee, as described in the last dispatch* in this series, had added fuel to the twin fires of provincialism and mullaism which were threatening to consume the country. It had created a split between the two most important provinces—East Pakistan and the Punjab—and had given the advocates of a modern and progressive Pakistan the dispirited feeling that the mullahs were going to have it all their own way under the new constitution. Among the common people the high prices of foodstuffs and the rising prices of all imported commodities were causing discontent, which found an outlet in the student riots at Karachi in January and later in the riots which broke out as a consequence of the arrest of certain religious leaders who were fomenting an agitation against the Ahmadi sect, to which the Foreign Minister, Sir Zafrulla Khan, belongs. Although the Central Government acted for once firmly, promptly and decisively, in regard to this agitation at Karachi, the situation was allowed to get completely out of hand at Lahore and at other centres in the Punjab. At Lahore, indeed, the rioters completely gained control of the situation and looting and arson were the order of the day. It soon became clear that the Government of the Punjab, under the leadership of the Chief Minister, Mr. Daultana, were in secret sympathy with the onslaught on the Ahmadis and that Mr. Daultana was only too ready to seize the opportunity to cause embarrassment to the Central Government. He went so far, when the rioting was at its worst, as to tele-

* See THE ROUND TABLE, No. 170, March 1953, p. 175.

phone a virtual ultimatum to Khwaja Nazimuddin stating that he would not be responsible for developments in the Punjab if the latter did not yield to the main demands of the Ahrars and other parties who claimed that the Ahmadis should be classified as a separate non-Muslim sect and that Sir Zafrulla Khan should be dismissed.

This was more than even the Nazimuddin Government could stand and after some hesitation it met the challenge firmly. The General Officer commanding the Lahore area was instructed to take over the administration under martial law, Khwaja Nazimuddin himself proceeded to Lahore, and in due course Mr. Daultana was dismissed. Sir Feroz Khan Noon, an elder statesman of the Punjab, who had been Governor of East Pakistan for the past three years, was brought back to his native province as Chief Minister. In fact, the crisis was duly surmounted and the Nazimuddin Government appeared to be firmly in the saddle again.

Nevertheless, the public in general and the Governor General in particular were by no means satisfied that the country had the strong leadership that it required and that political stability had been restored. It was, moreover, only too clear that economic stability was threatened by forces which appeared to be too strong for the Government. It is probable that if the Prime Minister had yielded to the advice of the Governor General and had dropped from his Cabinet Mr. Pirzada, the Food Minister, and Mr. Fazlur Rahman, the Commerce Minister, he himself might have survived. It was rumoured that he was prepared to dispense with the services of the former but had declined to dismiss Mr. Fazlur Rahman. The latter, however, as Minister for Economic Affairs as well as Commerce, had incurred a great deal of censure for his handling of the economic problems of the country during the past six months, and it was necessary that he should go.

The New Cabinet

THE new Government remains a Muslim League ministry and indeed six of the members of the old Government have been reappointed including such important personalities as Sir Zafrulla Khan and Mr. Mohammed Ali, the Finance Minister. There is great satisfaction that the latter has had his hands strengthened by the addition of the portfolio of Economic Affairs. Apart from the two ministers previously mentioned, the most important absentee in the new Government is Sardar Abdur Rab Nishtar. He held the portfolio of Industries but had played a bigger part in the affairs of the Government in his capacity as a member of the Basic Principles Committee. In that body he had been the chief apostle of theocracy and it was commonly believed that he was mainly responsible for the provision that advisory boards of persons well versed in Islamic law should be set up to advise the Central and Provincial Governments regarding fresh legislation from the standpoint of Islamic law. It is significant that one of the new entrants, Mr. A. K. Brohi, who has been assigned the portfolio of Law, is an intellectual of modern outlook who has taken a prominent part in denouncing these very provisions.

The fact that Mr. Mohammed Ali, the new Prime Minister, happened to

be in Karachi on a visit from Washington was not, as far as can be ascertained, part of a preconceived plan. He had come to attend an important food conference and his selection as Prime Minister would appear to have been a sudden inspiration on the part of the Governor General, who no doubt felt that it would be politic, in the present state of provincial feeling, that a Bengali should be selected to take the place of Khwaja Nazimuddin. Little is known about Mr. Mohammed Ali in Pakistan, for he has been continuously absent since 1948 when he was appointed Ambassador at Rangoon. Since then he has been at Ottawa and Washington in a like capacity, and he has certainly been a success at both places. He is known to be modernist and international in outlook, and particularly anxious to bring about a *rapprochement* with India. It is thought that he can only have benefited from being absent from the political scene in Pakistan for so long, for he comes to the country with a fresh mind and free of political affiliations other than his membership of the Muslim League.

An almost equally important appointment was the selection of Khan Abdul Qayam Khan, the Chief Minister of the North West Frontier Province, as Minister for Industries, Food and Agriculture. Mr. Qayam is noted for ruthless efficiency and drive and it is thought that he will be able to keep the food situation under control, if anyone can do so. He is likely to play a very important part in the councils of the Government and his presence at the Centre should also ensure that the North West Frontier co-operates loyally with the new régime. The co-operation of the Punjab is similarly assured by the appointment of Sir Firoz Khan Noon as Chief Minister. It is an open secret that East Pakistan is the province which has been most lukewarm towards the change, even though Mr. Mohammed Ali is a Bengali. At least one more minister for the Central Cabinet will have to be appointed from East Pakistan and Mr. Mohammed Ali, having failed to reach an agreement hitherto, is proceeding personally to Dacca very shortly in the hope of coming to a satisfactory understanding with the leaders of the province.

Economic Affairs

THE economic situation is dominated by the wheat shortage which makes it necessary that Pakistan should import not less than 1½ million tons of wheat during the new wheat year (i.e. from May to April) if famine is to be averted. All eyes are fixed on the Government of the United States who have been asked to supply a million tons in the form of a gift or a loan. The present indications are that the request has been received in an extremely sympathetic manner and that the Congress are likely to support the administration in making a substantial grant. It is felt that Mr. Mohammed Ali's good standing at Washington may help towards this end. The wheat shortage can, however, be relieved if production of the *khariif* crops (mainly millets and maize) can be improved, for these normally form the food of the poorest classes of the population. The *khariif* crops depend to a very large extent on the monsoon, but a great deal can be done to stimulate production. A short-term emergency committee has been set up under the chairmanship of Lord Boyd Orr and this has already made some useful recommendations; for example, help

is to be obtained from Army engineering units in digging new channels which will enable flood waters from the canals to be diverted to dry areas. Rice production, which is not at present so important in West Pakistan, is also to receive attention. Government are receiving 100,000 tons of fertilizer from the Technical Cooperation Administration of the United States and this is to be supplied to cultivators at one-third actual cost. Japanese experts are advising regarding its utilization, and it is thought that it should increase rice production by at least 200,000 tons.

The budget presented by Mr. Mohammed Ali, on March 14, was on the whole more reassuring than might have been expected. Considering the severity of the slump, it was remarkable that the revised estimate for 1952/3 fell short of the original estimate by only Rs.27 *lakhs*. As regards 1953/4 Mr. Mohammed Ali was faced with a very serious problem in the contraction of the estimated revenue but succeeded in matching it by a corresponding reduction in expenditure; by doing so, he produced a balanced budget with the addition of only Rs.5.88 *crores* in the form of new taxation. The most welcome reduction in expenditure was on the defence services, the estimate for which was reduced by about Rs.7 *crores*. The capital budget, however, as usual introduced an element of deficit financing. Capital expenditure is met from the cash balances, from foreign aid in its various forms, and from loans raised by government. Year by year the cash balances inherited at partition have been drawn down and they are by now completely exhausted. For their capital enterprises therefore the Government depend on foreign aid and on loans, and at the end of the current year the cash balance is expected to be no more than Rs.19.67 *crores*, after taking credit for a loan of Rs.20 *crores* which Government hope to raise. The further outlook is thus distinctly unsettled for it cannot be expected that Government will succeed in raising loans to this extent year after year.

An equal source of anxiety and one which is causing more immediate trouble is the heavy drop in Pakistan's gold and sterling reserves. This has led to a desperate slashing of imports in the hope of restoring the balance of payments and the country is at present, and will continue to be for some time to come, starved of even essential imports, with the inevitable corollary of rising prices. What is particularly discouraging is that reserves of foreign exchange rose so little in the months of March and April, when the export season was at its peak and the flow of imports had practically dried up. Importers in Pakistan face a bleak future, for it is clear that stringent control over imports and over foreign exchange generally will continue for at least a year to come.

Pakistan,
May 1953.

CANADA

DEPENDENCE ON WORLD TRADE

THE Canadian attitude towards the Commonwealth Economic Conference was discussed in the December issue of *THE ROUND TABLE*.^{*} It was suggested that plans should be made in the confident expectation that the United States would be prepared to co-operate by deeds as well as by words in creating the conditions under which world trade could expand and flourish, and that no help which could reasonably be requested would be unreasonably refused.

The purpose of the present article is to explain Canada's own trade problems. Canadian policy, like that of the other Commonwealth countries, must be profoundly influenced by the course of action taken by the United States. At the time of writing it is still not clear what that course of action will be, and, while no alarm is felt in Canada, some misgivings do exist. Disagreeable as it may be, Canadians may have to think in the alternative.

As is well known the whole structure of the Canadian economy is based on the maintenance of international trade, and continued prosperity is dependent on the assumption that trade will expand. The significance of this assumption is twofold: it is on exports that Canadians must rely for the means of paying for the things which they cannot produce themselves; and it is on exports that many Canadians depend for their employment. The great increase in the volume of exports to the United States during the last six years goes a long way to provide means of payment for imports, but the volume of exports to other countries has increased very little. Some important Canadian occupations cannot look either to Canada or to the United States for adequate markets. Employment in those occupations will therefore depend on export markets overseas.

The maintenance of Canada's export trade presupposes three obvious conditions: other countries must require goods or services which Canada can provide; there must be no cheaper or more convenient source of supply; the other countries must be able to procure the means of payment. Of these conditions the first, happily, presents no difficulty; the second is a matter of keeping costs in bounds; the third gives grounds for some anxiety. The major potential buyer for much that Canada produces is the United Kingdom, whose difficulties are well known even if their basic causes are not always sympathetically understood. Canada's next best customer would probably be Japan if that country could re-establish its export trade.

It is easy for Canadians to understand that the export trade of other countries, and notably that of the United Kingdom, depends on the same obvious conditions as Canadian export trade. Other countries must require goods and services which the United Kingdom can supply; there must be no

^{*} See *THE ROUND TABLE*, No. 169, December 1952, pp. 41 ff.

cheaper or more convenient source of supply; the potential buyers must be able to procure the means of payment. But, while only one of these three conditions is a source of anxiety for Canada, all three are hard for the United Kingdom to meet. Japan, too, faces the plight of countries dependent on processing imported raw materials and, therefore, vulnerable to restrictive policies in potential markets as well as to the danger of cut-throat competition which may, by ruining the terms of trade, be fatal to all competitors.

The Future of Canadian Trade with the United States

IN taking a long-term view of Canada's trading position two issues must be faced: first, how will Canada pay for imports from the United States; second, how will Canada find solvent buyers for exports which the Canadian economy is dependent on producing but which the United States is not at all likely to require? The growth of healthy multilateral trade would merge these two issues and simplify both of them. At present it is necessary to consider them separately.

Over a period of the order of twenty-five years, the first of these two questions justifies no serious misgivings. The exhaustive Report of the President's Materials Policy Commission, published last summer, emphasizes the difficulties which the United States is likely to encounter during such a period, assuming that consumption in that country will increase by 60 per cent or more. It predicts that the United States will have to import increasing quantities of many materials which Canada can supply. These include both iron ore and non-ferrous metals. There is likely to be a sustained demand for wood-pulp and lumber. The present high prices of these forest products are explained as representing for the first time the costs of protection and replacement of the forests. There is, of course, some uncertainty as to whether Canada will be eager to acquiesce in exchanges conducive to industrial development in the United States rather than in Canada, but the authors of the Report seem to feel no great concern on this point, except perhaps as regards the procurement of hydro-electric power, which is particularly important in the manufacture of aluminium. As is well brought out in the *Monthly Review* of the Bank of Nova Scotia for February-March 1953 where the Report is analysed, Canada is much better able than the United States to develop sources of power adjacent to tide-water and not subject to other competitive demands. Whatever Canadian policy may turn out to be with regard to making primary products available for export in their crude form, there seems no reason to doubt the ability of Canada to earn United States dollars in adequate quantity during the next twenty-five years.

This agreeable forecast does not exclude the recurrence of temporary difficulties such as those consequent on a recession in the United States, or on the irregular movements of investment funds in search of profit and security. During the last six years there has been a large investment in Canada by American investors or through the use of American funds. But the present exchange rates may encourage Canadians to buy American securities in New York and, since the end of the war, if the loan to the United Kingdom is taken into account, Canadians have lent quite as much

as they have borrowed. There is, however, no prospect of sustained Canadian investment outside North America.

Trade with Other Industrial Countries

THIS elimination of Canada's dollar problem by direct trade with the United States would greatly simplify the problem of finding markets in other countries for Canadian products which the United States cannot be expected to buy. Wheat, canned salmon and, at least in the short run, lumber and other forest products are examples. In relation to these products, Canada is in a position somewhat similar to that of the United States itself. It must see that its potential customers have the means of acquiring Canadian dollars whether directly or indirectly. The simplest solution is to buy more from them. But the problem is no longer, what it has often appeared in the past, dominantly one of substituting purchases from Britain for purchases from the United States, for we are assuming that trade with the United States will be in balance. Canada, like the United States, will be driven to face the question of substituting imports for domestic production.

At first glance this question looks like an old friend—protection *versus* free trade. There is, indeed, a conflict of interest between primary producers, who wish to find markets outside Canada and to obtain for their products the best possible terms of trade, and the industrial producers in Canada who wish to retain as large a share as possible of the domestic market. What is important is that this controversy appears in a new guise.

The new guise is given to the old controversy by the economic interdependence of the free world which is recognized by governments and peoples alike. It is not a matter of indifference either to the United States or to Canada that free countries, relying on processing raw materials, should be driven to look behind the iron curtain for complementary economies. They must be fitted into a broader economy within the confines of the free world. Were it not for the cold war we might indeed think of a world economy as our goal. Given the cold war, and even if this cold war were interrupted by a fragile truce, the area which must display some sort of economic solidarity is the free world. The question which the sheltered industries, whether in the United States or in Canada, must face is what is a fair contribution for them to make to the general welfare.

Concern expressed for the welfare of the processing countries must be distinguished from the concern for the welfare of the underdeveloped countries which has inspired the Point Four programme, the Colombo Plan and other projects for promoting investment and providing technical assistance. The problem confronting the United States and Canada is that of finding markets for overdeveloped countries—in the sense of countries which have developed economically out of proportion to their own resources in food and raw materials.

Canadian views on this point were described very clearly by Mr. Graham Towers, the Governor of the Bank of Canada, in an address to the Fourteenth Annual Pacific Northwest Conference on Banking, at Pullman, Wash., on April 9. In speaking of "Canadian ideas and ideals in the field of inter-

national trade and international economic relationships", Mr. Towers interpreted what he believed to be "the views of most Canadians who have given serious thought to these subjects," as follows:

Because of Canada's relatively large stake in foreign business, you would expect us to be strongly in favour of convertibility of currencies and removal of restrictions on international trade. We have managed to reach these goals, and we wish others could do the same thing. But our interest in this matter is not simply based on a desire to sell more Canadian products to other countries. We believe that growth of economic strength of the free world is absolutely essential to military security, and we cannot escape the conviction that a satisfactory degree of strength and security cannot be attained in a world in which the free countries are divided into groups between which trade and travel are restricted or forbidden. We fear the long-term political consequences as well as the economic effects of this division.

Canada's Treaty Obligations

THESE views are in keeping with the obligations which Canada and her allies, including the United States, have assumed under the North Atlantic Treaty. The Standing Committee on Canadian Trade Relations, appointed by the Canadian Senate, has been empowered to enquire into and report on:

What in their opinion, might be the most practical steps to further implement [sic] Article 2 of the North Atlantic Treaty, whereby the signatories to that document agreed that they will seek to eliminate conflict in their international economic policies and will encourage economic collaboration between any or all of them.

The Committee is also instructed to report upon:

How in their opinion any project for developing economic collaboration between the countries, which are signatories of the North Atlantic Treaty, might have the same degree of permanence as is contemplated in the twenty-year military obligation under Article 5 of the Treaty, whereby "the parties agree that an armed attack against one or more of them in Europe or North America shall be considered an attack against them all".

These terms of reference propound to the Senate Committee questions which Canadians would like to think that the United States Administration is considering in the case of the United States. Indeed, many Canadians are tempted to go farther and to say that if the United States were to do what Canada has already done the future of multilateral trade and convertibility would be assured for the next twenty years without any further action by Canada.

The Canadian Federation of Agriculture has presented a brief emphasizing the obligation of non-dollar countries to control internal demand and price levels, and of dollar countries, particularly the United States, to lower tariffs, remove other restrictions on imports, expand technical and financial aid to underdeveloped countries and stimulate investment in foreign countries.

Other organizations, too, are likely to emphasize the primary responsi-

bility of the United States. The Canadian record, as Canadians see it, is impressive. The Canadian tariff is low and many articles are on the free list. Canada has lived up to its obligations under the General Agreement on Tariffs and Trade and, except to protect its balance of payments a few years ago, has made no use of the escape clauses. In addition Canada has made very special efforts to increase imports from the United Kingdom.

In emphasizing what Canada has done, there is no wish to disparage in any way the efforts of the United States to promote economic recovery and to prepare the way for the replacement of aid by trade. The massive contributions to UNRRA, which were, of course, matched in proportion to their national incomes by the United Kingdom and by Canada, the loans to facilitate post-war reconstruction, which had their Canadian counterpart, the Marshall Plan and military assistance have accomplished a great deal and without them the outlook today would be bleak indeed. But these measures do not in themselves ensure self-supporting international trade.

The need for trade has been amply recognized by the United States, which has taken a leading part in promoting the Monetary Fund, the World Bank and the General Agreement on Tariffs and Trade. But, for all that, it remains extremely difficult for industrial countries to increase the volume of their exports to the United States and to secure even the very small fraction of the United States market which would suffice to provide a firm base for convertibility.

It is true that, expressed as a percentage of the imports admitted to the United States, the American tariff is not high and that many commodities are on the free list. But these facts are irrelevant to the problem of the processing countries which are not exporters of raw materials; and even countries which supply raw materials must reckon with the fact that, as the United States is often itself a producer of similar materials or substitutes for them, variations in the volume and price of its imports can be very great in the event of a recession. The United States has not, as yet, complied with its obligations under GATT by simplifying its customs procedures, and the use made of the escape clauses is hardly in keeping with the spirit of the Agreement. While the tendency in the United States to increase the protection of dairy products is not a menace to the industrial countries, it serves to increase the dependence of Canadian agriculture on markets outside the dollar area. To pay their way the processing countries must enlarge their share of the United States market. If they do so the escape clauses can be invoked. Like the Russian veto in the United Nations Council, they may not be used sparingly.

While it is, of course, impossible to say what might have happened had a more generous policy been pursued, it is tempting to suggest that the maxim *omnia praesumuntur contra spoliatorem* might be applied. However that may be, the problem set the Committee of the Canadian Senate might very well be presented to the United States Administration.

In the address cited earlier in this article, Mr. Towers referred to the Report of the Public Advisory Board for Mutual Security of which Mr. Daniel Bell was chairman as giving a comprehensive description of the complexities of United States tariff law and customs procedure. The observation that many

goods take longer to pass through the customs than it took Columbus to discover America has been widely quoted. The recommendation that decisions on trade policy should be based on national interest rather than on the interest of particular industries or organized groups may be a counsel of perfection; but it has commanded wide approval. It may well be that it asks of Congress more than Congress is politically able to do, and something that it may be difficult for Congress to delegate to an independent Commission. However, it is by way of the Bell Report that the United States is being persuaded to reconsider its trade policies. It is not impossible that the ghost of the Smoot-Hawley tariff may be exorcised.

Conclusion

IF the United States can indicate its willingness to collaborate in a constructive policy which will enable other countries to earn United States dollars, and can demonstrate its ability to put its good intentions into execution, the task of the Committee of the Canadian Senate will be made easy. It will be limited to finding ways and means of co-operating which will not raise an acute conflict of interest between primary producers and manufacturers in Canada. The emphasis in its terms of reference on the desirability of long-term policies is encouraging. It has two aspects. The other countries of the free world must be given assurances on which the structure of their economies can be developed with confidence. They cannot afford to make continual changes. But Canadian industry, too, must know what direction expansion may safely take. The whole free world must see to it that, as the North Atlantic Treaty puts it, conflict in international economic policies is eliminated.

It is almost incredible that the United States should not take effective action to implement its obligations and to promote its national interests. But the form which its action will take may be determined by political as well as by economic considerations. The President's request for an extension of the Reciprocal Trade Agreements Act for one year, instead of the usual two, does not tell us much, but its reception by Congress may tell us a great deal. If the request is refused or restrictions imposed on the Administration it will be an indication that the Administration is lamentably weak.

The United States may postpone the day of decision by continuing, in one way or another, a policy of aid. It may resort to concealed postponement by a vigorous investment policy. It may develop some counterpart of the Hyde Park Agreement of the last war by a systematic use of offshore purchases. It might develop more liberal trading policies by first honouring its obligations under GATT, then availing itself less and less of its strict rights under GATT, and finally setting an example to other members by a progressive removal of the remaining trade barriers. If political difficulties must be faced it is sometimes easier to defend a drastic than a cautious policy.

Of course, a very cautious policy may be followed. It might be politically easier for the United States to forgo part of its potential, or even its historic, share of foreign markets, including the Canadian market, than to give the other nations of the free world adequate access to markets in the United

States for industrial as well as primary products. With the blessing of the United States, its invisible tariff may come to have a counterpart in invisible preferences, dissociated from the tainted word "imperial" and purged of any suspicion of retaliation. A disguise might come in the form of a payments union.

It is not too early to explore the possibilities and it is not too late to hope for enlightened and clean-cut leadership by the new American Administration on economic questions which now, for good or ill, have become inseparable from the military considerations on which United States policy is based and in which Canada and, indeed, the whole free world are vitally concerned.

Canada and the Coronation

AS Coronation Day draws near, the interest and enthusiasm of the people of Canada continue to mount. There was universal approval of the action of the Government in proclaiming Her Majesty Queen of Canada immediately on the death of her revered father, as there was of the change in the royal style and titles agreed upon at the Prime Ministers' Conference held in London last December. It was generally and, in many quarters, enthusiastically agreed that our Government had done well to join Australia and New Zealand in adopting a style and title uniform except for the use of the name of the particular country and indicating that it was the Sovereign of the United Kingdom who was recognized as the Sovereign of the three countries.

The assent of the Canadian Parliament was accordingly given to the issue by her Majesty of a proclamation establishing for use for Canada the royal style and titles:

Elizabeth the Second, by the Grace of God, of the United Kingdom, Canada and Her other Realms and Territories Queen, Head of the Commonwealth Defender of the Faith.

This [the Prime Minister said] seems to me to be in accord with the historical development of our constitution relations. Her Majesty is now the Queen of Canada, but she is the Queen of Canada because she is the Queen of the United Kingdom and because the people of Canada are happy to recognize as their Sovereign the person who is the Sovereign of the United Kingdom. It is not a separate office. It is the recognition of the traditional development of our institutions; that our Parliament is headed by the Sovereign; and that it is the Sovereign who is recognized as the Sovereign of the United Kingdom who is our Sovereign and who is loyally and, I may say, affectionately recognized as the Sovereign of our country. We all felt that it was desirable to have that recognition retained in the title as a proclamation of the historical, traditional link between this country and the United Kingdom; and the same feelings were entertained by the other two Prime Ministers with respect to their countries.

After a simple but moving statement of the reasons for retaining the traditional words "by the grace of God" and "Defender of the Faith", the Prime Minister said of the new title "Head of the Commonwealth":

I think it is fortunate that in spite of local situations that appear to make it necessary for the most populous part of the Commonwealth no longer to recog-

nize the Sovereign of the United Kingdom as the Sovereign of its state, but to adopt a republican form of government . . . nevertheless it wished to . . . remain in the Commonwealth. . . . There are those of us who recognize the Sovereign of the United Kingdom as our own Sovereign. There is a common loyalty between us and the group of which that Sovereign is the head only as the Head of the Commonwealth and a real link constituted by common ideals, memories of past association and an intimate conviction that that association in the past has been for the benefit of their people and a desire to conserve that association in the future for the benefit of their people.

In approving whole-heartedly of the Prime Minister's words, the people of Canada rejoice that a way has been found to retain in the Commonwealth those members who think it right to adopt a republican form of government, and that that way is the common recognition of Her Majesty as the Head of the Commonwealth. They also rejoice that their own traditional relationship to the Crown remains undisturbed, or rather is made more explicit and intimate than before, by Her Majesty's assumption of the title Queen of Canada, which Sir John Macdonald would presumably have wished Queen Victoria to assume in 1867, when he urged that Canada should be called the Kingdom of Canada.

While the traditional relationship to the Crown naturally means most to the Canadians of several generations standing, particularly those of Anglo-Saxon origin, it is by no means these alone for whom the Coronation has deep significance. Both the French-Canadians and the many thousands of "new" Canadians, from post-war Europe and elsewhere, have their own appreciation of what it means. What makes it all the more real and intimate is of course the fact that Her Majesty visited Canada eighteen months ago and made such a deep impression on the millions who saw her. One "new" Canadian from a D.P. Camp in Eastern Europe said she had never realized before what a wonderful thing it was to belong to a country that was not only a great family but was one of a family of countries. It is not too much to say, then, that the Canadian people regardless of racial background will not fall behind any other Commonwealth people in paying homage and praying that Her Majesty's reign may be long and happy.

Canada,

May 1953.

AUSTRALIA

STATE ELECTIONS

GENERAL elections* for the Lower Houses of the New South Wales, Victorian, Queensland, South Australian and Western Australian parliaments, and the single Queensland Chamber, have been held since December 1952, and all have shown a strong electoral swing to Labour. The Victorian election of December 7, 1952, unseated the Country Party Government which had held office with the support of the Liberal-Country Party and returned a Labour Government with a majority of nine over all other parties and independents; one of the independents invariably votes with Labour. Labour is in a minority of four in the Upper House, whose property franchise was last year changed to universal franchise; the balance of power in that House is held by two followers of Mr. Hollway, the former Liberal-Country Party Premier and leader, whose action in leading a movement to withdraw support from the Country Party Government last year led to his expulsion from the Liberal-Country Party and started the political manoeuvres which caused the general election. Mr. Hollway controls four votes in the Lower House, and the future of the non-Labour parties in this State depends a good deal on whether the feuds that led to his expulsion can be ended. In New South Wales and Western Australia elections were held on February 14, 1953. That in New South Wales returned the Labour administration of Mr. Cahill, previously in office, with its majority increased from two to twenty, not including an Independent Labour member (the indirectly elected Upper House has a Labour majority of ten). That in Western Australia unseated Sir Ross McLarty's coalition of the Liberal and Country Democratic League Parties and returned a Labour government, under Mr. A. R. G. Hawke, with a majority of two (or one after providing a Speaker). The Upper House is strongly anti-Labour. In Queensland and South Australia elections were held on March 7. That in Queensland returned the Labour administration of Mr. Gair with its majority increased from eleven to twenty-five. That in South Australia returned Mr. Playford's Liberal Party Government with its majority over Labour and Independents reduced from 7 to 1, so that after providing a Speaker Mr. Playford has to rely on an independent. Labour's majority over the Liberals and Independents together on the gross popular vote in the contested seats exceeded 50,000. The Liberals control the Upper House.

The State electoral systems do not provide a uniformly fair result, owing to original disparities in the numbers of voters in the various electorates, disparities which have been greatly increased by shifts of population. The general effect is to give the country voter an advantage over the city voter; in the outback pastoral country of Queensland and Western Australia this

* Some earlier history which is relevant to these elections was treated in THE ROUND TABLE, No. 160, September 1950, pp. 382-4.

tends to favour the Labour Party, while in the more closely settled farming areas it tends to favour the non-Labour parties, particularly the Country Party where it has a separate existence. Taking the position by States, it can be said that the swing to Labour in Victoria, South Australia and Western Australia was more pronounced than the above figures suggest. In New South Wales and Queensland the result bears a reasonable relation to the gross electoral figures, though in Queensland first-past-the-post voting under a three-party system gives the Labour Party a bigger majority than it would otherwise have.

Decline in Popularity of the Government

ALL observers agree that the State election results were largely due, not to specific State issues, but to the declining popularity of the Federal Liberal-Party-Country-Party coalition government. This decline had already been indicated by the loss of the by-election in Victoria for the Flinders seat, previously held by non-Labour parties for twenty years, and by public opinion polls which suggested that at any time in 1952, and up to this writing, a Federal general election would show a swing to Labour of about 9 per cent as compared with the voting at the Federal double-dissolution election of 1951. In Victoria, feuds within the non-Labour parties contributed something to the result, but the swing there was over 10 per cent as compared with the voting at the previous State general election in 1950. In New South Wales, on the other hand, it is difficult to believe that the Labour Party could possibly have won if the election had been fought purely on State issues, even though non-Labour leadership there is uninspiring. The Labour victory was in spite of the record of the Cahill Government, and emphasizes the unpopularity of the Federal Government, whose alleged sins were debated much more extensively in the campaign than were any State issues. The practice of fighting State elections on Federal issues is very undesirable, since it tends to destroy one of the few virtues of federalism—the possibility of isolating regional issues and obtaining an intelligent vote on them unaffected by national issues. But Labour did not set the example in this respect; the first clear-cut case of the kind occurred in Victoria in 1947, when the Federal issue of bank nationalization was used by the Victorian Liberals and the Country Party to oust a Labour Government from office and defeat it at the polls. Moreover, the degree of financial interlocking between the State and Federal governments has now become so great that it is very difficult to fight any financial issue on a purely State basis.

It is not surprising that the Menzies-Fadden Government should have suffered some decline in popularity, since it has been in office for three years, but it is not so easy to explain the strength of this feeling and its persistence over the past year. Judged on a promise-performance basis, the government has some successes to its credit. The promises to abolish petrol rationing and to extend child endowment (previously limited to the second and later children) to the first child, were promptly performed. The undertakings in what may be called the main line of Liberal and Country Party principle related to the collectivist issue; there would be no fresh socialist experiments, those in

existence would be reviewed and where inconsistent with a "private enterprise" policy liquidated, controls of all kinds would be abandoned where possible and the fiscal policy would be less severe; Sir Arthur Fadden in particular had promised tax reduction and economy in government service. In performance of these undertakings, the Government sold its shares in Amalgamated Wireless Ltd. and Commonwealth Oil Refineries Pty. Ltd., closed down its Glen Davis shale mines, got rid of most of the remaining munitions annexes, and put its Whaling Commission enterprise and the Commonwealth Shipping Line on the market. The government air-lines have also been put on a basis of fair competition with private enterprise lines. Commonwealth controls remaining in 1949 were not numerous, but pressing invitations thereafter to resume price control, when the States found themselves in trouble with such control, were resisted. Government economy and tax reduction proved a good deal harder to achieve, but the difficulties—the last spurt of inflation of world commodity markets, in particular the wool boom of 1951, and the exacerbation of the cold war—were beyond the Government's control and could not have been anticipated in 1949.

The undertaking to suppress Communism by direct parliamentary action was translated into legislation, and if the Act had been constitutionally valid and been enforced with discretion it is likely that the resulting incidents would have strengthened the Government's position. But the Act was held invalid by the High Court, and when the electors were given the opportunity of approving at a referendum the policy which they had supported at two general elections, they turned the opportunity down, a result for which the Government could hardly be blamed. Finally, there was the promise to alter the structure of the Commonwealth Bank so as to make it less immediately amenable to the direction of the Federal Treasurer. This has been done in two stages. The first, carried out in 1950-51, was to appoint a Bank Board, place the Governor of the Bank under its control, and require that Treasury direction of the Bank should be disclosed to Parliament. The second instalment of bank reform is being put into effect as this is written, and consists of putting the trading section of the Commonwealth Bank on more even competitive terms with the private trading banks.

Financial Stringency

WHAT, then, has caused the electorate to transfer its affection? It is not easy to state the order of importance of the various factors, but the following seem to be outstandingly significant. First, the Government has been blamed for the financial stringency and the accompanying slowing down of public works, and the unemployment which occurred in 1952. To some degree this is fair, because at the beginning of 1952 Mr. Menzies announced that he would put countering inflation first, and expected there would be economic casualties in the process. Accordingly credit was restricted by the central bank, interest rates were raised and demands of the States for additional loan moneys, and in connexion with tax reimbursement grants, were resisted. At this time the inflationary consequences of the primary-produce boom of 1951 were still very apparent, and indeed throughout 1952 the basic

wage* continued to rise steeply so that a strong anti-inflationary policy seemed well justified. However, the efforts of that policy were not immediately apparent in the price level, whereas they did rapidly begin to cause the economic casualties which Mr. Menzies had foreseen. Secondly, the budget of 1951-52 was unpopular with small farmers and some business men. It was part of the deflationary policy, and among other things it increased taxation rates by small amounts and abolished some privileges, such as averaging of farm incomes, which the Labour Party had introduced and which had little cash value but considerable emotional appeal. It was a correct budget for the situation, but ran counter to the Government's general promises of tax reduction.

Thirdly, notwithstanding that the Government was elected on a de-socialization policy, the instalments of the policy have not been popular. For example, the electorate was hardly aware that the Government had shares in Amalgamated wireless (Australasia) Ltd., and only the most doctrinaire believers in private enterprise are disposed to praise it for selling them. At least, the Menzies administration adopted an unfortunate order of priority in the disposal of socialist undertakings. It is left with the Shipping Line, which is the biggest drain on the taxpayer's purse; offers received would, if accepted, have involved too great a capital loss, and there has been pressure from all parties to provide services to outlying State ports, even at a loss.

While these measures have offended some moderate opinion, some of the Government's most faithful supporters have been offended by other measures of which they thought only a Labour movement would be capable. These were, first, the Defence Preparations Act of 1951 and the continuation of capital issues control thereunder (a measure of economic co-ordination considered necessary in order to expand the defence programme, but inconsistent with the 1949 campaign against Labour); secondly, the import restrictions policy of March 1952, considered necessary by the Government to meet the threat of international bankruptcy if the flood of imports continued, but again suggesting that "free private enterprise" cannot be secured under present conditions. The unpopularity of the Government with its own supporters has been reflected in sustained attacks, particularly on Sir Arthur Fadden, in Sydney newspapers which are not at all friendly to Labour. There have also been mutterings among some of the Government's back-bench parliamentary followers; the current Commonwealth Bank reforms have been criticized on the ground that they do not go far enough in the direction of preventing domination of the private banks by the central bank.

Lastly, it is possible that even though the failure of the specific anti-Communist legislation was the direct responsibility of the electors, they are apt to hold such things against a government. The grain of justification for this is that under a rigid constitutional system parties should not too freely promise things which they ought to know are constitutionally difficult to

* Since this was written there has been the usual announcement of the Government Statistician's figures on which the basic wage is calculated. They vary from State to State; the average rise is 3d. a week.

achieve, and it was apparent from the first that the anti-Communist legislation was open to strong attack in the Courts. Similarly, the promise made in 1949 that a new provision would be put in the constitution to prevent nationalization without a referendum has proved to date impossible of performance, because, as Mr. Menzies admitted in a recent broadcast, a provision which would inhibit a policy such as the nationalization of banks would create serious obstacles to government acquisitions which all parties might want to carry out, even in peacetime, and are still more likely to desire to effect in war-time.

Party Prospects

A FEDERAL election need not occur until May 1954, so the Liberal-Country-Party coalition has a year in which to repair its electoral fortunes. Probably the most important influence will be the development of the economy. If at the end of 1953 the Government can point to a stable price-level and a reasonable level of prosperity with minimum unemployment, its prospects should improve. This may be achieved. The anti-inflation policy had by February 1953 achieved results; in that month there was no net increase in the basic wage for the continent, small rises in some States being offset by small reductions in others. Unemployment has continued for five months at about 30,000 registered; the Labour Party claims that actual unemployed reached 100,000 last November, but it is agreed that the total of unregistered unemployed has since decreased and employment prospects are fair. Some of the unemployment has been transitional in character. The levelling out of prices has largely been because iron, steel, timber and coal are at last meeting demand. There is coal "at grass" for the first time since 1939. The Sydney Stock Exchange index of industrial shares, which reached the 180's during the boom of 1951 and the 150's during the recession of late 1952, is now in the 160's.

The improvement is due in part to better industrial relations and greater output per head, in turn caused by removal of Communist leadership from some key unions and fear of unemployment. Improvement is due in part also to the firm demand for wool, the price of which has increased through the season. Although external trading difficulties have developed in dried and canned fruits and butter, largely because steep local cost inflation occurred when world prices were steady, gross oversea earnings improved materially from October last, and London funds have improved to the point where easing of the import restrictions of 1952 is in progress. However, the Australian economy, like all others in the free world, may be adversely affected if the easing of international tension produces any substantial decline in defence spending, and this situation would test the ability of the Menzies-Fadden Government to take corrective measures through its banking and public works policies.

The Labour Party has had to do little else but enjoy the advantage which has accrued to it as a result of the misfortunes of its opponents. However, its internal affairs might not be without importance for the development of electoral opinion during 1953. Last September the Federal Labour Executive

adopted an interpretation of the party's socialization objective which explained (not for the first time) that the party did not desire to interfere with private enterprise which was competitive and conducted in a manner conducive to the public interest. During the debates on the banking bills in March Dr. Evatt, leader of the Labour Party, said that the bank nationalization policy which his predecessor Mr. J. B. Chifley had initiated in 1947 must now be regarded as a dead issue, because the electors had shown that they did not want it and because the courts had shown that it was constitutionally invalid. The latter proposition is especially significant; no one knows better than Dr. Evatt that the ultimate decision invalidating the bank nationalization legislation in 1949 by no means disposed of all the methods which a Commonwealth Government might attempt to use in order to carry out that policy, so that what looks like a proposition about constitutional law is more of a statement of political intention. Australia is in the throes of deciding whether to introduce that modern Pandora's Box, television; Dr. Evatt has favoured the admission of private enterprise in this field, notwithstanding that party policy requires a government monopoly, and has supported this view also by an interpretation of the banking decisions. This policy of Labour's right wing has many strong opponents in the militant wing of the party although it is equally strongly supported by the party's powerful Roman Catholic wing, and hence by Dr. Evatt's chief lieutenant and rival for party leadership, Mr. A. A. Calwell. But there is always the possibility that personal intrigues within the party may cause some of Dr. Evatt's moderate rivals to make a temporary alliance with the militants for tactical purposes. On the particular question of television, Dr. Evatt has already been overruled by a party majority. However, Dr. Evatt's leadership has been so vigorous, and his tireless campaigning in State general elections and by-elections has played such an important part in rescuing the party from the situation it had reached in 1949-50, that any serious public split seems extremely unlikely. The Menzies-Fadden Government may obtain some advantage from mistakes made by the State Labour Governments, but it is likely to have to rely mainly on its positive achievements during the next year.

(The elections for the Federal Senate are due to be held on May 9, 1953, and the results will probably be known when this article is read.)*

Australia,

May 1953.

* Of the sixty seats in the Senate (ten for each State) thirty fell vacant by expiry of tenure and two by death. Before the elections the Government held thirty-two seats to the twenty-eight of the Opposition. Afterwards the figures were thirty-one to twenty-nine; so that the Government, as had not been universally expected, retains control of the Senate.—*Editor*.

SOUTH AFRICA

THE GENERAL ELECTION

ON Wednesday, April 15, the voters of South Africa went to the polls in what many people here regarded as the most critical general election since Union was established in 1910. The result was a clear-cut victory for the veteran 79-year-old Dr. Malan and the Nationalist Party, which will now have a majority of 29 over all parties in the House of Assembly, if the by-election caused by the death of Mr. John Christie, leader of the Labour Party, is won by the opposition.

The electorate comprises 1,626,996 voters in 150 Union and 6 South West African constituencies. Of these voters, all are white men and women on a basis of universal adult suffrage, with the exception of some 48,000 Cape Coloured males in the Cape Province, whose names were included in the common Voters' Roll by virtue of their having satisfied certain prescribed qualifications. The Union House of Assembly consists of 159 members, of whom 3 (required to be Europeans) represent Cape Province Natives. These 3 Native representatives are not elected at a General Election, and their term of office was not affected by the dissolution of the House of Assembly on March 4. At the end of the last Parliament—the tenth since Union—the Nationalist Government had a majority of 13 over the United Party, the Labour Party and the 3 M.P.s representing the Natives. The United Party, led by Mr. J. G. N. Strauss, Q.C., formed the official opposition.

Since the 1948 election there has been a fresh delimitation of Union constituencies with the result that, although the total number of such constituencies remained at 150, in many areas substantial changes were made in their boundaries. In South West Africa, however, there has been no new delimitation. All 6 seats in that Territory were held by the Nationalists at the dissolution.

As 20 M.P.s were returned unopposed—of whom 18 were United Party and 2 Nationalist candidates—contests were limited to 130 Union and 6 South West African constituencies—136 seats in all. But, owing to the death before April 15 of Mr. Christie, the Leader of the Labour Party, no voting took place in the Witwatersrand constituency, Johannesburg City, and a by-election is now pending in that seat.

Of the 135 seats actually contested, the Nationalist Party gained 92, the United Party 39 and the Labour Party 4. Adding the unopposed returns to these figures, the final result is as follows:

Nationalists: 94—a gain of 8 seats.

United Party: 57—a loss of 7 seats.

Labour Party: 4—a loss of 1 seat. The Labour Party total will probably be five after the by-election.

On this assumption, the combined opposition membership, including the

3 Native representatives, will be 65, as against a Government total of 94; leaving the Government, as indicated above, with majority of 29 over all parties. This sweeping victory has been received with understandable jubilation in the ranks of the Nationalists, and has been hailed by government spokesmen and their press as a triumph for Afrikanerdom.

Dr. Malan once again staked everything on the Colour question. The magic word *apartheid*, which produced profitable political dividends in 1948, was in the forefront of his programme. So confident was Dr. Malan in its vote-winning qualities that he resolutely refused to issue a fresh election manifesto, and relied upon the one published by him in 1948. "It was meant to last, not to be valid for only one election", he told an audience of fervent followers at Stellenbosch.

The other main issues on which the Nationalists pinned their hopes were Communism, and what Dr. Malan described as the sovereignty of the people and Parliament. Colour, Anti-Communism, and the *Volkswil*—the sovereignty of the people—accordingly formed the chief planks of the Nationalists' platform. It was an appeal to the senses and the emotions, rather than to the head. In that platform the economic position of the country and bread-and-butter politics took a minor position. Dr. Malan's case was that there is no middle course between *apartheid* and colour equality; that Coloured voters in the Cape must be deprived of franchise rights enjoyed for a century and given limited representation; that the entrenched sections of the South Africa Act are not morally binding; and that the Appeal Court's decision vindicating the entrenched clauses cannot be accepted, that it is contrary to the will of the people, and must be circumvented.

The Nationalists and the Constitution

DR. MALAN did not explain how, without a two-thirds majority of both Houses of Parliament, he proposed to by-pass the verdict of the Appeal Court and so side-step the Constitution, if he and his party were returned to power with a simple majority. What he sought was virtually an open mandate, "to re-establish the sovereignty of the people". There were, however, vague and sombre ministerial mutterings about "packing" the Bench or the Senate. This last enterprise, in the present state of the parties, would involve the nomination of an additional 40 to 45 senators.

To these arguments the United Party retorted that Parliament was sovereign—the Courts had said that Parliament, as properly constituted, was sovereign; that if the *Volkswil* meant anything, it surely referred to the wish of the majority of the electors and not to that of the members of the Nationalist caucus; and that South African Courts must continue to decide cases on the law and facts—not according to what the Government in power might wish.

Throughout the campaign Mr. Strauss stood staunchly by the South Africa Act. He proposed to lift the non-European problem above the arena of party politics, and to make a fresh attempt to deal with it by way of a national conference and subsequent consultation with moderate non-European leaders. The United Party, though as firmly opposed to Communism as the

Nationalists, objected to existing anti-Communist legislation which ousted the jurisdiction of the Courts. It proposed to amend such legislation.

In the event, the appeal to Afrikaner Nationalism won the day. "Look into your Afrikaner hearts"—Dr. Dönges, Minister of the Interior, exhorted the people in a pre-election broadcast.

The verdict at the polls has been a deep disappointment to more than half the electorate. Final figures showed that, making the customary allowance of 6,000 votes for the party returned unopposed in each constituency and of 2,000 for the other side, party strengths were as follows:—

United Front (United Party and Labour)	722,804
Nationalist Party	646,297

The average percentage poll was 87·8 per cent. These figures afford a striking illustration of the anomaly in the Union's electoral laws, which provide for the "loading" of urban seats and the "unloading" of rural constituencies to a maximum extent of 15 per cent in each case. With only about 47 per cent of the votes the Nationalist Party obtained over 60 per cent of Parliamentary seats, while the Opposition, with about 53 per cent of votes, obtained less than 40 per cent of the seats.

Mr. Strauss has made it clear that he and the United Party, as democrats, accept the verdict, and that whenever the Government propose measures which are in the true interests of the country, the United Party will not impede but support those steps. Mr. Strauss, however, has emphatically rejected Dr. Malan's post-election invitation to the United Party to help him put through his proposed changes to the Constitution in a constitutional manner.

Dr. Malan's invitation was made three days after the election. Referring to the "difficult and involved task which lies before us", he said that the Nationalists would always be prepared to discuss the colour issue with any part of the Opposition, excluding "liberals and leftists", that would in all sincerity accept *apartheid*, inasmuch as it had now been approved by the people. If 12 or 13 more votes could be found in the House of Assembly the Government, without having to nominate additional senators, would have its necessary two-thirds majority to amend the South Africa Act to ensure the "sovereignty of Parliament" and the passage of its *apartheid* legislation. If these votes could be found among the section of the Opposition which was prepared to accept the *apartheid* policy in all sincerity, it would mean the end of all strife over the colour issue.

The country—Dr. Malan continued—would then be able to return to the situation created by the Appeal Court decision of 1937—without any constitutional crisis and without any further disturbance of the political peace. Realizing that the protection which the entrenched clauses gave on the language and colour rights would disappear if this were to happen, Dr. Malan added this statement:

About the safety of the principle of language equality we need not worry, because it is in any case entrenched in the minds and convictions of all responsible sections in the country.

Responsible South Africans recalled that they had heard something similar before. Was it not stated by present-day Nationalist leaders in 1931 that the entrenched clauses were entrenched in the minds and convictions of all South Africans?

Realizing at once that Dr. Malan's invitation to the United Party was a shrewd manoeuvre designed to precipitate a split in the ranks of the Opposition, Mr. Strauss immediately and emphatically rejected it: "Let me tell Dr. Malan with all the emphasis at my command that there are no quislings in our ranks who would be prepared to sell their souls in order to make it possible for him and his Government to attain their disgraceful ends", replied the Leader of the United Party. Responsible leaders of the United Party at the same time pointed out that if the Party were to agree to the removal of Coloured voters from the common roll, and give Dr. Malan his two-thirds majority, the tension and heat would not subside. If the United Party were to agree to amend the constitution they would be signing away the only safeguard left to minorities, that is, by a majority of one, language equality and even the watered-down coloured franchise could go.

The Fight Continues

OF course the refusal of the Opposition to help in this fundamental constitutional change is already being decried as unpatriotic and as proof of its "liberalism". And so the same distortions have started and the same emotional appeals to Afrikaner nationalism are continuing. All present signs therefore indicate a continuation of the constitutional battle, and it still has to be seen what final *modus operandi* the Government adopts. Dr. Malan's hasty invitation to the Opposition can be regarded as an indication that the Government has no clear-cut plan at present and is looking for some easy solution. It will be a testing time for Dr. Malan and his advisers but equally a crucial period for the Opposition. Dr. Malan can rely on the tightly closed ranks of his supporters and followers, but the United Party may have to face disruptive splinter movements in Natal and elsewhere.

In Natal, the veteran leader Senator Heaton Nicholls, disclosed shortly after the election that he had resigned from the United Party eight months previously. In his statement he hinted that, on his return to South Africa after the Coronation, which he will attend in his capacity as a Privy Councillor, he may have an important announcement to make about Natal's position. Senator Nicholls has already committed himself to the statement that "Natal, small as she is, has the strength as she has the knowledge to save South Africa", in what he chose to call "our religious war" in South Africa.

Coupled with this uncertainty from Natal is a move towards the possible emergence of a self-styled "liberal" movement in the larger towns and cities. The United Party is criticized for what is said to be its too close association with the allegedly repressive colour policy of the Nationalists. What is immediately advocated in these "liberal" circles is a return to the principle of votes for all civilized people, on the basis of civilization, irrespective of race and colour.

Much depends, during the next few months, on the activities of the Government. Dr. Malan now has a firm majority and the country knows that the unexpected result of 1948 was no political freak. Dr. Malan's first step as the head of a stronger Government was to announce that he, together with two of his Ministers, Mr. Havenga, the Minister of Finance, and Mr. J. H. Viljoen, the Minister of Education, as well as the Administrator of Natal, Mr. D. G. Shepstone, would attend the Coronation. This announcement was welcomed by all except the die-hard republicans who protested vigorously in the Nationalist Party Press. It was obviously meant to reassure the moderate elements, and especially the English-speaking section.

But it has also brought an interesting development which is being closely studied in both Nationalist and Opposition circles. During the absence of Dr. Malan and Mr. Havenga, his unofficial Deputy Prime Minister, the extreme Transvaal Republican leader, Mr. J. G. Strijdom, has been designated to act as Prime Minister, because, it was explained, he stands third in the Cabinet order of precedence.

It will be the first time that Mr. Strijdom will have acted in this capacity and in Nationalist circles great significance is attached to this aspect of the Coronation visit. If the election has revealed the strength of Afrikaner nationalism, it has also shown the power of Mr. Strijdom and the hold he has on the right-wing republican section of the Party. After 1948 it was Mr. Havenga who held the trump cards in the precarious balance of power in Parliament. Today it is Mr. Strijdom. He is the power in the Transvaal, where his supporters in Parliament have risen from 37 to 43. In the Free State he can count on the support of another 13 republican followers. That alone gives him a clear-cut majority of 56 out of a total Nationalist caucus of 94 in the Assembly. To this number must be added additional support which he will undoubtedly receive from Nationalist M.P.s in the Cape, South West Africa and Natal. There can be no doubt that it is Mr. Strijdom who has emerged as the strong man of the 1953 election; and in view of Dr. Malan's age and the possibility of his retirement, this is a development of fundamental importance.

That is the strength of Mr. Strijdom and, paradoxically enough, also the weakness of the Nationalist Party. There can be no doubt that there is a strong moderate Nationalist section, especially in the Cape, which is uneasy about the prospect of domination by Mr. Strijdom and the North. The possibility of a future crisis in the Nationalist ranks after Dr. Malan retires cannot, therefore, be ruled out.

The United Party still has a strong virile parliamentary team which will continue their fight when Parliament meets in July. It has made up in leadership and character what it has lost in numbers. Unfortunately, the gulf between the two parties seems to be as great as ever, and the prospect of healing the divisions amongst the people no brighter than before the election.

South Africa,

May 1953.

NEW ZEALAND

THE ONUS OF PAYMENT

THE political acumen displayed by Mr. Holland and his Cabinet up to the time of the dissolution of Parliament which followed the breaking of the wharf strike has scarcely sufficed to maintain the Government's prestige during recent months. The introduction of currency control after a period of unrestricted imports had a dislocating effect on commerce, and although stability is being restored the transitions first from import selection and control to a free market, then from a free market to currency control, were abrupt and in some cases productive of hardship.

That things are settling down again and that the country is recovering from what has been called its spending spree may be gathered from the statement of the Associate Minister of Finance, Mr. Bowden, in January, that for 1953 there would be currency available for private imports of only about £30 million less than in the unrestricted peak year, 1951, when they amounted to £210 million. But the state of mind of the business community during these transitions may be gauged from the fact that when currency control was instituted in 1952 the allowable imports were announced as 80 per cent of the 1951 total, coupled with the statement that the 1953 imports might be only 40 per cent of that total, unless the receipts from exports increased, as in fact they have done, to the point where £170 million is available for private imports. The Government has to rely for support upon various divergent elements which have proved increasingly hard to reconcile. The man in the street is mystified by frequent ministerial claims of buoyant finance and of the improvement in the country's position, coupled with his own observation of high prices and contrasted with the Government's apparent reluctance to implement the recommendations of the Taxation Committee of 1951 for tax relief. In particular voices are raised in protest against the retention of sales tax, which has always been unpopular, and against the lack of any considerable or logically graded relief from income tax.

Not only is taxation not being reduced, but an attempt is being made to ensure that State services formerly carried on at a loss are made to pay. Railway fares, telephone charges and postal rates are among charges which have been sharply increased, and the householder is about to be faced with an increase, varying widely, but resulting from a mean increase of about 45 per cent in the bulk price of electricity to supply authorities. The detail of the negotiation on this last and the incidence of the charges have caused great concern in the larger cities, which, it is alleged, are being called upon to pay more than their fair share of the increases. The State's attempt, understandable in the light of known future needs for hydro-electric development, to obtain substantially increased revenue from the sale of electricity has caused widespread dissatisfaction. Meanwhile, gas receives a subsidy at the expense

of the taxpayers, practically all of whom use electricity. The Government has referred this problem to a committee of inquiry.

The Standard Wage Pronouncement, as was noted in a recent issue, took the place of a General Order. As a *pro tanto* increase only it contributed relatively little to the rate of increase of prices, but prices do continue to rise, and the decisions mentioned in connexion with postal and telephone charges, railway fares and electricity have proved particular marks for the accusing finger of the taxpayer. Certainly there has been need to infuse more vitality into the country's railway system, but the appointment of a commission of five members, some of them appointed from among the subordinates of the present General Manager, to control the undertaking has met with a mixed reception from the public. The greatest obstacle the Government is encountering on its road to the kind of economy it desires is the skilfully dovetailed and closely interlocking system of controls, props and subsidies with which its Labour predecessors supported the Welfare State. Each stroke of the axe causes repercussions somewhere else in the fabric, and the elector, impatient to see results, loses heart easily. Ministers frequently point to the need for harder work and increased production, but continuing restrictions are regarded as limiting enterprise, while existing taxation is considered as a disincentive. The New Zealander still needs to make many calculations before he can find out what so much work will give him in cash reward.

The Prime Minister, Mr. Holland, remains a figure of monumental confidence and optimism. Nevertheless, in his efforts to reduce taxation and at the same time to keep the cost of living down he has firmly grasped the nettle. In presenting his last budget he said:

If subsidies were not paid, there would be £15 million more available for reductions in taxation, and it should not be overlooked that, on an average, taxation last year was equal to £102 a head per annum, or the equivalent of about £8 a week for a family of four people. Excessively high taxation is a discouragement to effort and to production, and it is production that sustains the standard of living. It would be possible to further reduce taxation if we reduced subsidies, but such a course would involve higher prices and in turn higher wages and social-security benefits. But there would be a deserving section of the community that would not benefit from higher wages or benefits. I refer to those thrifty people who live on modest fixed incomes.

Nevertheless, the Government's policy of increasing the charges for State undertakings is a complementary factor, and it remains to be seen what reduction in taxation the removal of subsidies will make possible, and how much restorative effect this will have on the Government's prestige in the country.

Exports and Production

OUR economic position in the world at large is sounder than it was a year ago. Not only have we produced more and sold at better prices, but in aiming at sterling convertibility we have done without imports which might otherwise have raised the level of consumption. Nevertheless, there are certain danger signals that a primary producing country must always watch: we depend to an extraordinary extent upon our oversea markets.

Although recent wool prices have been excellent, yet in view of the uncertainty of the international situation this market cannot be regarded as stable. It was expected that New Zealand would lose about \$1 million in the 1952-53 export season as the result of the decision of the United States Government to impose restrictions on dried wholemilk and buttermilk exports from the Dominion. The restrictions, however, were followed in March by a complete ban, the loss will now be substantially greater, and New Zealand will have to seek new markets. The embargo, of course, is in the nature of a protection for United States local products.

It is noteworthy that at Geneva in October the United States delegate was apologetic about his country's failure to repeal Section 104 of the Defence Production Act, but it is this statute which has been used to bypass again the provisions of the General Agreement on Tariffs and Trade. It is also worth mention that the people of the United States are eating only half as much butter as they were before the war. Meanwhile we have asked our best customer, the United Kingdom, for a fifteen-year suspension of quantitative restrictions on dairy import products. Britain, however, with sterling still not entirely stable and with some degree of dependence on Denmark for taking her exports, has been unwilling to go so far.

There has been a good deal of negotiation about New Zealand meat exports, with the Government and the Meat Producers' Board not always pulling together. The Government has been prepared to go some distance to help the United Kingdom: the Meat Board wants to see New Zealand in no less favourable a position than Argentina. Since New Zealand's immediate contribution to the Commonwealth economic development programme is to be a substantial increase in farm production for 1954—8,000 tons more butter for export, 4,000 or 5,000 tons more cheese and no fewer than 20,000 additional tons of meat—the amount of money involved is considerable.

Current standard prices for Argentine beef sold to the United Kingdom are £181 per ton for chilled beef and £161 per ton for frozen beef. New Zealand receives £143. 15s. and £117 per ton respectively. The Government has now very wisely decided not to continue to complicate matters by remaining in the picture as a party to price negotiations, and agreements will again be negotiated by the Board.

The country's wheat production is better than last year, but still well below our annual requirements. We must still buy a great deal of Australian wheat, and, as *The Christchurch Press* concisely expressed it in an editorial of January 27, every bushel of Australian wheat that New Zealand could avoid buying would mean one more bushel of sterling wheat for Britain and one fewer dollar bushel. The cost of producing wheat is extremely high, and the Government is embarrassed by a bread subsidy of £2½ million which it is not anxious to increase. Nevertheless, wheat has shown the grower less increase in return than other farm crops, while we are importing £8 million worth of wheat. A Royal Commission has been asked for, and whether or not that would be justified the position certainly calls for detailed examination, particularly in the direction of reducing costs and of ensuring the farmer a price more nearly in conformity with world prices. While we import wheat and

potatoes, both expensive, we have an abundance of oats and barley, and any investigation should scrutinize the use we are making of land which may be capable of carrying a different crop.

Other overseas markets in the European Payments Union, as well as Japan, are buying more of our produce, and we are buying more from them. At the request and with the knowledge of the United Kingdom Government we have received from Japan in the last year or two imports of cement, steel and fertilizers worth several million pounds. Having regard to the fact that we now aim at considerable production targets, the more established markets we have the better.

It should be recorded that during January, at much the same time as the United Kingdom was suffering in the same way, New Zealand sustained substantial stock and crop losses from floods, losses estimated by the Minister of Works, Mr. Goosman, at £1 million for the North Island alone.

Recent discussions have drawn attention to population increase in relation to food production, local consumption requirements and export possibilities. The Government's decision to press on towards production goals is thus as welcome for its long-range implications as for its immediate usefulness. Like the soil erosion problem, this is a matter which will require intensified scrutiny as time goes on.

Most important to our farm production are our grasslands. New Zealand probably leads the world in grassland development, and it is satisfactory to know that the forthcoming international conference on this subject will be held in the Dominion.

There is obvious need in New Zealand for overseas borrowing for capital development. The establishment of the United Kingdom Corporation to promote Commonwealth development provides an opportunity for obtaining outside finance without joining the World Bank or the International Monetary Fund, which is opposed in many quarters in New Zealand. The use of the facilities of the corporation would assist the development of New Zealand and increase our capacity to earn dollar exchange.

More Self-Government for Western Samoa

SINCE 1914 Western Samoa, an area of 1,102 square miles, has been administered by New Zealand, first under military occupation, then as a mandated territory, and finally, since 1946, as a United Nations Trust Territory. The Samoa Amendment Act of 1947 gave increased responsibilities to the Samoan people.

The Prime Minister has announced New Zealand's plans for a Constitutional Convention of local members to be held in the territory, if possible before the end of 1954, to formulate a constitutional plan for the future. The Constitutional plan could, it is suggested, include provision for:

A common citizenship for all inhabitants of Western Samoa.

A single legislature, known as the "House of Representatives", consisting of approximately 40-45 members, presided over by a Speaker elected by the House, and replacing the present Legislative Assembly and Fono of Faipule.

The direct election in secret ballot of members of the Legislature upon the widest

suffrage the Samoan people feel able to accept (the Apia electorates at least having universal suffrage).

The 11 traditional political districts to be the constituencies, with each district returning one member for each 2,000 to 2,500 of its total population.

The method of appointment and tenure of office of the Head of the State.

Executive government to be conducted by Premier and Cabinet Ministers, all of whom will be members of, and collectively responsible to, the House of Representatives.

Western Samoa to control her own Public Service.

The special relationship between New Zealand and the future self-governing State of Western Samoa.

The New Zealand Government has announced that it will be fully prepared to implement any appropriate scheme. The immediate economic and social objectives will be to pinpoint major social problems and means for their solution: most of the actual solutions would depend upon the energies and abilities of the Samoan people themselves.

The New Zealand Reparation Estates, with assets totalling nearly £1 million, are to be handed over to the Samoans, and a corporation is suggested with five directors, one to be appointed by New Zealand until self-government is completely attained.

This further step marks real progress in the history of the territory. New Zealand's discharge of her mandate and trust obligations for Western Samoa has been substantially in accordance with trusteeship principles, and the confidence with which the Prime Minister has announced the new proposals indicates the Government's belief that the Samoan people have gradually but fairly rapidly become competent to govern themselves.

General

SOME further points require mention. Interest rates overseas have risen. New Zealand has made only minor adjustments, but as the Associate Minister of Finance remarked recently in connexion with future loans, it is obvious that the days of 3 per cent have passed for the time being.

Pending some more precise clarification of the financial situation local authorities, with difficulties in raising finance under interest rates which are still restricted although now up to 4 per cent for short-term loans, have not found it possible to catch up with a tithe of their urgent works.

A Royal Commission is to investigate the tangled skein of hospital administration. There have been the usual vested interest objections to the proposed amalgamation of hospital districts, but there appears to be general agreement that the Government would be well advised to heed any proposals for the concentration into relatively few places of the more costly specialist services.

In a recent article* we referred briefly to the abolition of the second chamber of government. Hitherto no definite steps have been taken towards its replacement. The Legislative Council, the chamber which was abolished, was held in little esteem in New Zealand, and was regarded rather as a home

* See THE ROUND TABLE, No. 169, December 1952, p. 95.

for politicians deserving of party reward Mr. Holland, when he was in Opposition, opened the attack on it with a private member's Bill: the Labour Government set up a committee in each House, and the members of both met for a time as a Joint Committee.

After some skirmishing Mr. Holland introduced a second private member's Bill calling for the abolition of the chamber. This was defeated in 1949. Shortly after the change of government the Council was abolished, and almost immediately afterwards further committees were set up to consider a substitute. In the work of these the new Labour Opposition refused to participate, and it was from a Joint Committee composed entirely of Nationalists that proposals finally came forward. These provided for a Senate.

This was to be a second chamber with a fixed membership: there was to be no more "making of peers" to ensure a majority. That would be arranged by fixing the term of a senator at three years—the same time as the life of a Parliament—and by allotting seats to the parties in the Senate in the same proportions as those in which seats were held in the House of Representatives. The only real power, other than that of discussing matters in joint committees of both Houses, was to be a power of delay for two months.

As a matter of fact neither the Prime Minister nor the Leader of the Opposition appears to be very much concerned to replace what was, in some ways, potentially a very real safeguard against the misuse of executive power. The investigations appear to have been put in train largely for the sake of satisfying a substantial body of opinion in the country which is favourable to a second chamber that there really could be found no satisfactory substitute.

This constitutional tinkering, combined with the fact that circumstances in New Zealand do not conduce to the fall of a Government as a result of division in the House, places the New Zealand Executive in an impregnable position for triennial periods—but as to the wisdom of this, public opinion is by no means unanimous.

New Zealand,
May 1953

Postscript. The Editor has learnt with deep regret of the death on April 19 of Sir Thomas Hunter, late Principal of Victoria University College, Wellington, and an old and honoured associate of the ROUND TABLE. He has asked Sir Thomas's colleagues in New Zealand to include a short memoir in their next quarterly contribution.

3½% Defence Bonds

WHAT THEY MEAN TO YOU

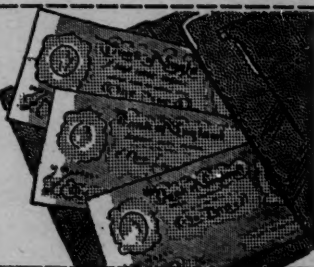


£3.10.0 *interest*

per annum on each £100 invested

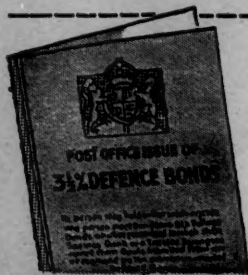
£3.0.0 *tax free bonus*

after ten years on each £100 invested



100% *capital security*

Defence Bonds are free from
market fluctuations



3½% Defence Bonds cost £5 each and you may hold up to £1,000 of them in addition to all holdings of earlier issues. If the Bonds are held for 10 years a tax free bonus of 3% will be paid; if encashed between 5 and 10 years the bonus will be 1%. High rate of interest, valuable bonus and the absolute security for capital, make the 3½% Defence Bond the finest investment of its type!

BUY ALL YOU CAN

Obtainable from Post Offices,
Banks, or through your Stockbroker

**INVEST
IN BRITAIN**

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